



BlackBerry Ltd. or Bombardier, Inc.: Which Stock Is a Better Bet Heading into 2016?

Description

Despite being in completely different industries, **BlackBerry Ltd.** ([TSX:BB](#))(NASDAQ:BBRY) and **Bombardier, Inc.** ([TSX:BBD.B](#)) have a lot of similarities.

Both have seen much better days and can best be described as “turnaround” companies. Their brands are badly damaged. Yet they each offer some very strong products and services, helping to make a turnaround more realistic.

So with all of that in mind, which company is better positioned heading into 2016?

The case for Bombardier

Bombardier certainly had a rough year, but there was a bright spot in December: Transport Canada certified the CS100, the smaller of the two CSeries planes. This marked the end of a very long and painful process.

As a result, airlines will no longer have so much uncertainty about when their CS100 planes will be arriving, and this could spur new orders for the planes.

There's one other reason why Bombardier may be the better turnaround stock: its plunging stock price. The shares are down by nearly 70% this year, and investors seem to have given up on the company. We've even seen portfolio managers remain anonymous when commenting on Bombardier in the newspapers; no investment manager wants to be associated with the company.

So if Bombardier really has hit rock bottom, then now is the perfect time to invest, and there's a lot of upside for the shares.

The case for BlackBerry

BlackBerry has also had its share of difficulties. And unlike Bombardier's CSeries, there's some legitimate concern about the quality of BlackBerry's product line (especially in the hardware division).

But the company has some big advantages over Bombardier. Perhaps the biggest is its balance sheet. BlackBerry has more than US\$2.7 billion of cash and equivalents, even after some major acquisitions. This gives the company tremendous flexibility and also allows for more strategic acquisitions. It also means the company doesn't have to go to the government for capital.

BlackBerry also has some strong momentum. In its most recent quarter, the company beat practically all estimates, even in the hardware division. This indicates that the company's products may be catching on.

The verdict

Both stocks are certainly risky at this point, but I would have to say BlackBerry is the better bet heading into 2016.

The main reason is BlackBerry's strong balance sheet, which ensures that the company will survive, even if there are a couple of big missteps. Meanwhile, if Bombardier makes any more major mistakes, bankruptcy would be in the cards, sending the shares down to zero.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:BB (BlackBerry)
2. TSX:BB (BlackBerry)
3. TSX:BBD.B (Bombardier)

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