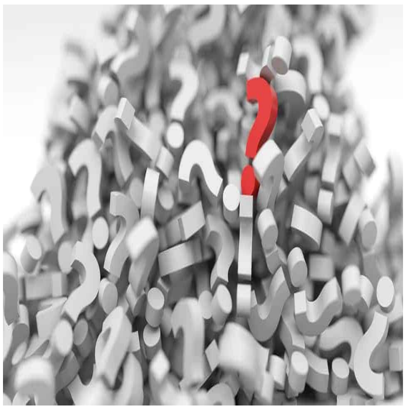

A Bargain or a Falling Knife? Bombardier, Inc. vs. Kinaxis Inc.

Description

On October 6, **Bombardier, Inc.** (TSX:BBD.B) was once again made the target of the new U.S. administration. The Department of Commerce added an additional 79% duty to the CSeries aircraft, which will present huge difficulties in its ability to enter the U.S. market.

The news was released after the end of trading, so as of this writing, it is yet to be determined how Bombardier stock will respond. However, barring a positive development, it is likely to be battered.

Another Canadian company, **Kinaxis Inc.** (TSX:KXS), has had a difficult stretch following a second-quarter report that saw its stock plunge after an adjusted forecast. Let's take a look a quick look at both stocks today to see if investors should consider buying the dip.

Bombardier, Inc.

Bombardier stock has declined 9% month over month as of close on October 6. The company was hit with the initial 220% duty after the U.S. Department of Commerce sided with **Boeing Co.** and determined that Bombardier had been the beneficiary of unfair subsidies from both the government of Quebec and the United Kingdom. When the second duty was announced on October 6, Bombardier accused the U.S. government of severe overreach.

Canadian officials as high up as Prime Minister Justin Trudeau have criticized the initial challenge by Boeing and subsequent duties imposed. For a company already in the midst of a significant turnaround plan, this represents an enormous setback. However, there is still hope that the ongoing NAFTA negotiations will present an opportunity for reconciliation and a possible rollback of the crippling duties.

From the onset, it appeared the U.S. was going to throw its weight around and get its due. The next round of negotiations is set for October 11-15 in Washington, D.C.

Kinaxis Inc.

Kinaxis stock has dropped 7% since its third-quarter results were released on August 8. The company adjusted its 2017 forecast due to the loss of a significant Asia-based customer. However, if we ignore this setback, revenue climbed 14% to $32.9 million, and gross profit was also up 14% to $22.9 million.

On October 4, Kinaxis announced that Paul Carreiro had been named as chief revenue officer. Carreiro previously worked at the German multinational **SAP SE**. His experience in supply chain and enterprise software will likely come in handy for Kinaxis — a company which specializes in both of these areas.

Which should you buy?

I like Kinaxis as a buy right now. The company reported solid second-quarter results and was brought down by an unfortunate piece of bad news. Profit and revenue growth year over year demonstrate its strength. Kinaxis is one of my top tech growth stocks for the long term.

Bombardier represents more of a gamble, but I believe the company could surprise investors due to external factors. Just as with the Canadian softwood lumber industry, Bombardier is likely being used as a bargaining chip in the ongoing NAFTA negotiations. If and when the countries come to a resolution, Bombardier could see its fortunes change dramatically.

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2. TSX:KXS (Kinaxis Inc.)

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aocallaghan