How Is Bombardier (TSX:BBD.B) Stock Getting Undercut by These 2 Competitors?

Description

If you've been reading the world news lately, you may be wondering whether to start building a war portfolio. Defence stocks may start seeing some upside if conflicts around the world flare up in coming months. Canadian aerospace stocks might be somewhere near the top of your list if the above has occurred to you.

Even if you're not gearing up for an aviation industry buoyed by the prospect of conflict, domestic aviation stocks are today hiding some heavily discounted opportunities to get in low and make some tidy profits further along the flight path. Here are three of the very best value aviation stocks to buy in Canada in 2018.

Magellan Aerospace Corp. (TSX:MAL) has been a go-to for Canadian aviation investors for some time now. Military defence and space technology are what Magellan is chiefly know for, although its involvement in components are what make this a good stock for a war portfolio. Boasting customers of the calibre of **The Boeing Company**, Magellan should be part of any domestic aerospace investment portfolio.

Currently trading at a discount of 31% compared to its future cash flow value, Magellan's multiples look pretty good. Its P/E of 40.7 times earnings reflects a 31.5% expected annual growth in earnings, so we might let it off the hook, especially as the rest of its fundamentals look nice and low. With a PEG of 1.3 times growth and decent P/B ratio of 1.5 times book, investors are looking a value stock and a growth stock in one.

Heroux-Devtek Inc. (TSX:HRX) is possibly the best-known Canadian aviation company when it comes to making components for other market leaders. Heroux-Devtek designs, tests, builds, and repairs landing equipment and electronics and is well regarded in the industry.

Heroux-Devtek's stock is currently discounted by over 50% compared to its future cash flow value today. Looking at its P/E of 10.6 times earnings, PEG of 1.7 times growth, and P/B ratio of 1.3 times book, we can see that Heroux-Devtek is extremely good value. If you're looking for a low entry point, now is a good time to buy. Aside from a cheap exposure to Canadian aviation, you'll also be getting a dividend yield of 2.1%. Heroux-Devtek has a moderately good outlook, too, with a 6.1% expected annual growth in earnings ahead.

Bombardier Inc. (TSX:BBD.B) is perhaps best known for its rail and tram deals, but it's also a major Canadian aerospace player. Aviation design and manufacture is Bombardier's main focus, but its involvement in fuselages, wings, and engine parts for a range of industry leaders are what makes this stock really interesting.

With customers like **American Airlines Group, Inc.**, Bombardier has an enviable position in the industry — one in which it could really capitalize on in years to come. It's currently discounted by 43% compared to its future cash flow value, though its price-to-earnings ratios can't be used as the company is currently unprofitable. An expected 46.8% annual growth in earnings makes this high-profile stock a clear buy for growth investors.

The bottom line

Magellan and Heroux-Devtek have acceptably low levels of debt, while Bombardier is struggling somewhat in that department. If you own Bombardier, keep watching for its share price to rise and consider swapping it out for one of the two healthier stocks on the list.

If you're in the market for aviation stocks and great value is your thing, Magellan and Heroux-Devtek are clear buys today. Heroux-Devtek is the top pick, based on that deep discount, rosy outlook, and moderate but cheerful dividend.

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