



Should You Switch Your Air Canada (TSX:AC) Stock for Bombardier (TSX:BBD.B) Shares?

Description

Remember bell-bottom jeans and CDs? How about peak Britney Spears and Y2K?

Bombardier ([TSX:BBD.B](#)) sure does.

This was a time of greatness for this once-ultimate stock performer. It was basically a must-have for any portfolio. But oh, how the mighty have fallen.

Yet, just like Britney, it might be in for a huge comeback.

This is all going on while another strong transportation player has been on a tear. **Air Canada** ([TSX:AC](#)) (TSX:AC.B) has been hitting record numbers, currently sitting at the highest it's been in its entire history.

So, should you take the risk and put your money on a Bombardier return or stick it out with Air Canada?

Bombardier

Once trading at around \$26 per share, this stock is a far cry from good times at its current level of \$2.71. But does that mean all is lost for Bombardier? According to some recent news, apparently not.

First off, there's the company's better-than-expected earnings over the last few quarters. Recently, it reported \$2.3 billion in revenue and a profit of \$55 million. It's also started paying off its \$9 billion debt, starting with about its cash flow of about \$3 billion.

It seems a lot of this increase has to do with some cuts and sales. Multiple assets have been shed, such as the company's plagued CSeries project. The failure almost sent Bombardier into bankruptcy, but it was saved by Airbus, which bought the CSeries and renamed it A220. This deal, thankfully, should start putting some cash in investor pockets.

Then there's the company's new investment: the Global 7500 aircraft. Bombardier expects the new aircraft to bring in a further \$3.5 billion more annual revenue by 2020. And there's its new deal with Eurotunnel that puts a solid \$225 million of cash in hand over the next seven years.

With earnings around the corner on May 2, analysts are looking to the future of where this company could be in the next few years, and it looks good. Maybe not \$26-per-share good, but even if it gets back to last summer's levels of about [\\$5.50 per share](#), that would more than double your investment today.

Air Canada

In the last seven years, this stock has had a killer run, gaining nearly 4,000% in that time with no signs of slowing down.

While Air Canada also went through a scary period, it seems to have succeeded where Bombardier failed. The company was drowning in debt, a recession, bills, and declining business. And this all lasted until just a few [short years ago in 2012](#), when shares hit rock bottom at around \$1 per share.

Yet if you had bought then, you'd be ... well, retired, likely. By the end of 2012, the company had \$131 million in profit, and in 2017 that rose to \$2 billion, and then it rose even further last quarter with revenue reaching \$4.25 billion. But can that trend continue?

This is the question ahead of the company's earnings on Apr. 29, which could prove mixed. While the airline's sales are still flying high, it's a little more unclear if fuel costs will impact its bottom line. And the company has announced a series of investments, which, over the long run, will cut costs with better fuel efficiency but, in the short term, offer a pretty hefty bill of around \$6 billion over the next few years.

Bombardier or Air Canada?

Bombardier, frankly, has a lot more to prove if it's going to get a lot of my dollars. However, at a price so low and with share prices recently almost double, I wouldn't be afraid to put a few bucks on this once-great stock.

But if I'm looking for a long-term investment, I'm going with Air Canada. The company practically has a monopoly on the airline industry in Canada, and while it'll have some difficulty continuing to expand internationally and be both a low-cost and premium-client carrier, my money is on it to continue a trend upwards.

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alegatewolfe

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