Tech and Aerospace: 2 Canadian Alternatives for Ethical Investors

Description

An embattled aviation company and a social media platform with privacy issues come in for scrutiny today. A Canadian alternative is suggested for each stock, along for some financial arguments for and against the suggested substitutions.

One top tech stock to ditch

Down 0.46% over the last five days at the time of writing, **Facebook** (NASDAQ:FB) isn't every investor's cup of tea at the moment. Lacklustre one-year returns of 9.8% do not seem to befit a tech stock of this stature; however, the fact that Facebook is only marginally besting the U.S. interactive media industry testifies to the kind of 12-month period the social media platform has been having

With a P/E of 28.8 times earnings and P/B ratio of 6.5 times book, Facebook's value is not great, but it's not terrible either. Likewise, its 17.8% expected annual growth in earnings is the picture of mediocrity. The main issue here would be an ethical one, however: would-be shareholders need to ask themselves whether they want to hold stock in a company so enmired in issues of personal privacy.

Up 5.07% in the last five days, **Open Text** (TSX:OTEX)(NASDAQ:OTEX) is a popular Canadian tech stock that has skyrocketed since the start of the year. It's a solid contester for the top tech spot in your TSX portfolio, with a good track record, some expected growth, and a moderate dividend yield.

While Open Text's past year returns of 14.7% narrowly missed the Canadian software average of 15%, its earnings growth has been solid, with a past-year rate of 21.4%. While it could be better value for money (it has a P/E of 39.3 times earnings and P/B of 2.8 times book), its dividend yield of 1.73%, matched with an outlook which includes a 30.6% growth in earnings, makes for a tempting play in the software space.

Today's aviation stock to sell or avoid

Down 1.97% in the last five days, **Boeing's** (NYSE:BA) share price is nowhere near recovering. It had climbed steadily since the end of the holiday period from around the $300 mark to a staggering $445 at the start of March. Since then, PR woes have kept its stock depressed, with one negative headline after another weighing on the share price.

The ethically minded investor bullish on aviation may want to stack shares in **Bombardier** (TSX:BBD.B) instead. Bombardier's 90-day returns of 18.7% may not be outstandingly high, but they beat the Canadian aerospace and defence industry average of 12.4% for the same period. Meanwhile, its five-year track record has been generally positive, with an average earnings-growth rate of 19%.

The reasons to avoid (or ditch) Boeing stock extend beyond the ethical: its one-year past earnings growth of 8.3% lagged behind its peers, a 17.7% five-year average earnings growth beat the U.S aerospace and defence industry norm.

Additionally, a high past-year ROE is, unfortunately, let down by high debt, making for a stock that not only has a fairly quotidian track record but also has a tattered balance sheet. It's also worth noting that Boeing has seen insiders ditch a large volume of overpriced (see a P/E of 21.3 times earnings and an outlandishly high P/B ratio) shares in the last three months.

The bottom line

While it may not be a mantra that holds true for the whole of the TSX index, ditching the American options here in favour of their Canadian counterparts allows the ethically minded investor to avoid a pair of currently problematic companies, while retaining exposure to their respective industries.

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2. NASDAQ:OTEX (Open Text Corporation)
3. NYSE:BA (The Boeing Company)
4. TSX:BBD.B (Bombardier)
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