Better Buy Under $5: Bombardier (TSX:BBD.B) or Green Organic Dutchman (TSX:TGOD)?

Description

Many investors turn to very cheap stocks in the hope that their prices will skyrocket, allowing them to benefit from significant capital appreciation. Of course, some stocks are cheap for a reason, and finding a diamond in the rough can be a challenge. Let's turn our attention to two stocks that are currently under $5: **Bombardier** (TSX:BBD.B) and the **Green Organic Dutchman Holdings** (TSX:TGOD). Which of these two has more upside?

Bombardier's fall from grace

Bombardier was in far better shape at the turn of the millennium. However, the company's share price has declined since then, and for the better part of 15 years, Bombardier's stock has been around the $5 mark. The aerospace company's stock is currently priced just above $2 (at writing), but while some investors might see an opportunity, I am still firmly in the camp of the naysayers.

To be fair, Bombardier made decent strides recently. Airbus acquired a majority stake in Bombardier's CSeries Aircraft Limited Partnership. While the CSeries jet always had a lot going its way — most notably fuel efficiency given its size — things were going increasingly awry with Bombardier at the helm. Handing over control to Airbus, a company better capable of maximizing profits and minimizing costs, was supposed to increase efficiency and profitability.

The news of a partnership with Airbus (which came in 2017) sent Bombardier's stock surging by up to about 150% in the following months. However, the company's stock price has since stopped defying gravity. Though Bombardier boasts considerable backlog order of nearly $34 billion, its overall debt level is still a bit uncomfortable. The stock has spent too much time scraping the bottom of the barrel.

Can Green Organic Dutchman succeed in the cannabis market?

TGOD is a cannabis stock, and unlike Bombardier, it hasn't been around for very long (about seven years). The cannabis market is still very young, and TGOD is one of those companies actively trying to cash in from the mesmerizing growth in sales the sector will experience over the next few years. TGOD focuses on growing pot organically and is also looking to profit the high-margin cannabis-infused beverage market.

TGOD's production capacity is currently estimated to reach peak levels of about 220,000 kilograms per year by the end of 2020, which isn't bad at all compared to most of its peers. In fact, this figure would very comfortably land TGOD in the top 10 Canadian cannabis companies in terms of production capacity.

Focusing on high-margin cannabis products — such as organically grown products or beverage-infused cannabis — is an excellent strategy given the danger of oversupply which plagues the dried cannabis market. Further, TGOD has a supply agreement with Ontario, Canada's largest province, as well as with the largest wine distributor in Canada. TGOD also has footprints aboard, particularly in Poland via its subsidiary HemPoland.

Which should you buy?

Though TGOD probably isn't the most exciting pot stock around — and the company's top and bottom lines have been less than impressive — it currently looks to be a better buy than Bombardier. TGOD's focus on high-margin products could help differentiate it from its peers at the point of sale, thus helping TGOD earn higher net margins overall. Bombardier has been trying to fully get back on its feet for too long, and the company has consistently failed, or at least its share price shows little sign of significant upward movement any time soon.

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