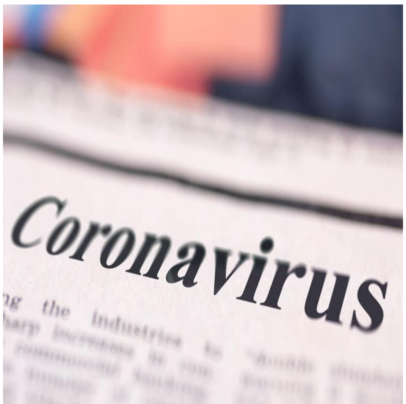

TFSA Investors: Forget Bombardier Stock and Buy Fortis Instead!

Description

In the current volatile market environment, investors need to identify and avoid risky stocks such as **Bombardier** (TSX:BBD.B) and look to buy recession-proof stocks such as **Fortis** (TSX:FTS)(NYSE:FTS).

I have been bearish on Bombardier for a while now and for good reason. It continues to disappoint investors and has wiped out billions in portfolio value. Bombardier shares are currently trading at $0.46 and have lost over 75% in market value since the start of 2020.

Airline stocks have been hit hard in the ongoing bear market. As governments have shut borders, air travel has come to a standstill. But Bombardier had problems long before the COVID-19 pandemic.

Bombardier has massive debt

Bombardier's shares fell after it announced preliminary fourth-quarter results in January 2020 that were less than impressive. The company reported sales of $4.2 billion, below analyst estimates of $4.6 billion. Its adjusted earnings before interest and tax (EBIT) loss stood at $230 million and it cut free cash flow by $650 million.

Bombardier ended 2019 with debt of $9.82 million, cash of $2.77 billion, and operating cash flow of -$680 million. In February, it announced the sale of its transportation division to **Alstom** and use these proceeds to reduce the massive debt that stands at eight times its market cap. Bombardier will receive US$6.4 billion from the sale and another US$591 million as part of its exit from the A220 program.

Now, it seems like the COVID-19 could not have come at a worse time for Bombardier. Airline orders are expected to fall significantly this year and global travel is expected to recover at a slow pace. This will put further pressure on Bombardier's weak financials making it a no-go for long-term investors.

Utility stocks such as Fortis are safe bets

For TFSA investors looking to buy stocks in a market correction, utility stocks, including **Fortis** (TSX:FTS)(NYSE:FTS) are solid bets. Fortis is a diversified electric utility company, with a forward yield of 3.6%. It makes a good hedge against the economic downturn. If case recession fears come true, unemployment rates will shoot up. This will put a strain on consumer spending, but everyone will continue to pay their gas and electricity bills.

Fortis has a geographically diversified business and serves millions of customers in Canada, the United States, and the Caribbean. Around 99% of its sales are regulated. The company also has a stellar track record of paying dividends, something it has done for 46 consecutive years. The company now aims to increase dividends at an annual rate of 6% over the next four years.

Fortis has increased investor wealth significantly in the last two decades. An investment of $10,000 in Fortis stock at the start of 2000 would have generated close to $150,000 by the end of 2019.

Fortis is investing heavily to gain traction in the high-growth renewables market. It has allocated $18.8 billion in capital expenditure over the next five years, which will continue to drive cash flows in the upcoming decade.

During the financial crisis of 2008-09, Fortis managed to grow its earnings and also increase its dividends. It is a company with strong fundamentals and one that has survived multiple recessions.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. TSX:BBD.B (Bombardier)
3. TSX:FTS (Fortis Inc.)

PARTNER-FEEDS

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Date
2025/08/25
Date Created

2020/04/17
Author
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