Suncor (TSX:SU), Air Canada (TSX:AC), or Bombardier (TSX:BBD.B): Where I Would Invest My $1,000

Description

There are a few buying opportunities on TSX these days for investors looking for value. The majority of top TSX stocks have recovered their lost ground since hitting their lows in March. Moreover, shares of the companies that didn't participate in the recovery rally have strong reasons why they continue to trade low.

However, if you are one of those investors who like to go against the prevailing market sentiment, shares of **Suncor Energy** (TSX:SU)(NYSE:SU), **Air Canada** (TSX:AC), and **Bombardier** (TSX:BBD.B) must have caught your eye.

Shares of Suncor, Air Canada, and Bombardier have lost a significant portion of their value this year and continue to reel under pressure. While Suncor and Air Canada are victims of the pandemic, Bombardier's challenges are not new, as the company has been underperforming for a long time.

Investors could expect a sharp recovery in Suncor and Air Canada stock once the COVID-19 pandemic ends. However, that cannot be said for Bombardier.

While these TSX stocks are available at a considerable discount, they carry lots of risks. So, let's look more closely at each of these stocks to decide where to put $1,000 to generate explosive growth.

A better buy

An uncertain economic outlook and rising COVID-19 infections indicate that these three TSX stocks are likely to take a considerable amount of time to recover and make money for their investors. However, if I have to choose among the three, Suncor Energy seems to be a better buy.

Investors should note that Bombardier stock is down about 78% year to date. Moreover, it is struggling to reduce debt and is not generating enough operating revenues. Further, its focus on the business aviation segment could prove to be detrimental amid a recession, which isn't far off.

As for Air Canada, rising infections, low passenger volumes, high debt, and continued cash burn should limit the upside and hurt its operating revenues and margins.

While near-term prospects for Suncor aren't very optimistic, an increase in economic activities and WTI (West Texas Intermediate) crude near US$40 per barrel should help the company to meet all of its obligations and pay dividends.

Suncor is focusing on drastically lowering its operating expenses. Moreover, it has reduced its capex guidance. Further, it has temporarily suspended share repurchases and cut its quarterly dividends. All these measures have helped Suncor to lower its cash breakeven costs.

The company has stated that at a WTI price of US$35 per barrel, it would be able to meet its operating and administrative costs, cover its payouts, and meet its planned capital needs for 2020.

Bottom line

The uncertain pace of economic recovery with the pandemic in the background continues to pose challenges for these three companies. However, Suncor remains better placed among the three to survive any protracted recovery.

Its integrated business model, refining mix shift toward higher-priced light crude and distillate, and cushion from its downstream operations should help it in surviving the current crisis. Meanwhile, crude price is likely to go up, as the economic activities pick up the pace, which should support the recovery on Suncor stock.

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