



## Suncor (TSX:SU) or Bombardier (TSX:BBD.B): Where Should I Invest My \$500?

### Description

COVID-19 outbreak weighed heavily on the stocks of **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) and **Bombardier** ([TSX:BBD.B](#)). The shares of both the companies have lost a significant amount of value this year, with Suncor stock declining about 46% and Bombardier losing nearly 79%.

While the decline in oil prices amid demand erosion and supply glut dragged Suncor stock down, lower level of production activities in the Americas and Europe took a toll on Bombardier.

Though the shares of both these companies are likely to remain pressured in the short-term, the significant erosion in value makes them attractive long-term buy. However, investors should take caution before investing in these stocks as they carry a considerable amount of risk.

Besides, the pace of recovery in both these stocks is still unknown given the uncertain economic outlook and consistent growth in infections.

### Where to invest \$500

The recovery in both these stocks is likely to take time. However, if I look at the growth prospects, Suncor Energy has a better chance of bouncing back. Investors should note that Suncor was performing well before the virus halted its growth. On the contrary, Bombardier was struggling to survive even in the pre-pandemic phase.

Bombardier's mountain of debt and weak operational performance continues to hurt its growth prospects. To pay down debt, the company announced the sale of its transportation division to Alstom for which it got the conditional approval from the European Commission. This is not the first time that Bombardier has taken such measures. In the past, the company has divested several businesses to deleverage its balance sheet.

The deleveraging of its balance sheet should give the company some breathing space. However, by divesting the transportation business, it is exposing itself to a significant amount of risks. The aviation business could take a massive hit amid economic slowdown or decline customer flight utilization.

While challenges persist, Bombardier could benefit from an acceleration in aircraft deliveries in the coming quarters. Besides, the segment's \$12.9 billion backlog gives hope. However, weak market conditions, a high debt of \$9.3 billion, and risks associated with the aviation business limit the recovery in its stock.

Suncor, on the other hand, announced drastic cost-cutting measures to survive the current crisis. While low oil prices remain a drag, Suncor stock could reclaim its pre-pandemic levels as oil prices recover from the current shock.

## Bottom line

Investing \$500 in Suncor stock increases the chance of [generating exceptional returns](#) in the next three to four years. The company's reduction in costs and dividend cut has helped in lowering its breakeven price. Investors should note that Suncor can meet all of its obligations, including reduced dividends, with West Texas Intermediate crude near US\$35 per barrel.

Its integrated business lowers the price risk, while cost-savings and mix-shift toward higher-priced light crude further cushion its bottom line.

Suncor stock is available at a considerable discount, and the reason is evident that its near-term outlook remains blurry. Thus, investors, only with a long-term perspective, should put their money into Suncor stock for outsized gains.

### CATEGORY

1. Coronavirus
2. Energy Stocks

### TICKERS GLOBAL

1. NYSE:SU (Suncor Energy Inc.)
2. TSX:BBD.B (Bombardier)
3. TSX:SU (Suncor Energy Inc.)

### PARTNER-FEEDS

1. Business Insider
2. Koyfin
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