



## Bombardier Stock: Is it a Better Buy Than Air Canada?

### Description

**Air Canada** ([TSX:AC](#)) is a stock that's been extremely popular for over a year now. Long before the coronavirus pandemic and Air Canada stock's subsequent selloff, **Bombardier** ([TSX:BBD.B](#)) was consistently one of the most popular Canadian stocks.

The main reason why both of these stocks have generally been in the spotlight is not because of positive reasons. Both companies have been beaten up so badly that investors think they look cheap. And because they are so cheap, savvy investors want to know if there is any value in the stocks.

Looking for stocks that are trading undervalued is a great strategy. Often, you can find some great investments by buying stocks undervalued.

**Corus Entertainment** was one of the cheapest stocks in the middle of 2020, and savvy investors who took advantage of this discount have already seen returns of 110% in just the last seven months.

However, just because the stocks have the potential for recovery and a massive rally doesn't mean that these companies are guaranteed to bounce back.

When stocks like Bombardier or Air Canada become cheap, it's because investors think the stocks have a tonne of risk. So, although they may look [undervalued](#), there's no guarantee they'll recover.

Therefore, to figure out which stock is the better buy today, we must understand the position each stock is in and how much risk to reward there is with an investment today.

### Air Canada stock

Many people know Air Canada's story, the pandemic is front and centre of the news every day, and as long as the pandemic is severely impacting the economy, Air Canada will be impacted too.

This makes investing in Air Canada stock today difficult, because you don't want to invest too early. The company is losing tonnes of cash and, therefore, tonnes of value every day.

However, at the same time, [Air Canada](#) offers a tonne of potential when it finally can recover. It's the biggest company in an industry that was already growing rapidly before the pandemic.

And when you think of all the pent-up demand to travel again once it's safe, many expect the stock to bounce back rapidly once it can resume full-time operations. The same can't be said for Bombardier stock, which is why Air Canada looks like the better investment today.

For the time being, there are still considerable risks as long as there is so much uncertainty. However, we're slowly making progress in Canada toward vaccinating the majority of the population. So, it's only a matter of time before a return to normalcy and recovery for Air Canada stock.

Right now, of the 10 analysts that cover Air Canada stock, seven have a buy and three have a hold with an average target price of \$29.70. That's nearly 20% upside from Friday's price. Plus, it could improve as we move closer to fully opening up the economy.

## Bombardier stock

Although it's also dealing with tonnes of headwinds, Bombardier stock is in a much different position than Air Canada.

Air Canada's headwinds are basically all a result of the pandemic and no fault of the company. With Bombardier, it's not quite the same story.

The company has had its fair share of issues over the last few years. Whether it was products that had manufacturing defects or underperforming and unprofitable segments, the company has been shedding assets and working to improve its operations.

Bombardier stock also has a tonne of debt, which is a big risk to consider, especially in this economic environment.

That's probably why analysts aren't too bullish on the stock right now. Of the seven analysts that cover Bombardier, two have it rated a buy, four have it rated a hold, and one analyst is recommending investors sell the stock.

Furthermore, the average target price for Bombardier shares is \$0.85. That's below Friday's closing price of \$0.92.

## Bottom line

Bombardier has struggled for a while. Therefore, to have confidence, investors will want to see a clear sign of a turnaround and successful growth opportunities for the business.

So, between the two, Air Canada is definitely the better stock to buy today. However, that doesn't mean Air Canada doesn't offer significant risks of its own.

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