3 Recovery Stocks That Could Make You Richer in June — and Beyond

Description

How do you become rich? If you keep doing what you have been doing and you are still not rich, you need to change your strategy. The pandemic-driven stock rally made many investors rich because they got a hold of their emotions and bought the dip. They cancelled all the noise and believed in their research.

What exactly was their research? History has shown that after every market crash, there was a period of recovery. It is this recovery where you see steep jumps. But not all stocks make it to the top. Then how to make sure your money is climbing that steep mountain safely.

Invest and grow rich

For that, you need to bet on more than one stock. In a basketball game, you may have a star player. But you still need a team of five to play the game. And there are times when your star player may not perform but an average player might, depending on the opponent.

Airlines and everything related to airlines have been the most beaten-down sectors of the pandemic. They have been burning cash and surviving on taxpayer's money, and the fundamentals are nothing but weak. No value investor in his sane mind would buy any airline-related stock as this is the game field of hedge funds.

Air Canada stock

Take **Air Canada** (TSX:AC) for instance. Its net loss widened to $1.3 billion in the first quarter compared to $1.16 billion in the previous quarter. The airline has net debt of $6.17 billion. The $6 billion bailout means no share buybacks for another five years. The airline is hinging on the hope that travel restrictions will ease in September and will cater to the pent-up demand. Even this hope is a big *if.* The restrictions will ease if vaccine rollout goes as planned.

Despite all this, AC stock surged almost 22% year-to-date and 70% from its pandemic low of $15. The stock didn't see this level of growth even in its hay days. It still has another 67% upside before it recovers completely.

Bombardier stock

AC still made profits and grew in its heydays. But **Bombardier** (TSX:BBD.B) has been burning cash on both good and bad days. One failed aircraft changed the tides for the plane and train maker and put it under a permanent restructuring. Since 2013, Bombardier has reported nothing but losses.

It even took on debt to fund its operations and kept restructuring to pay off debt. Call it a failure on the part of the management or the nature of Bombardier's business, but it has now reduced to a $2 billion market cap from $36 billion in 2000.

Bombardier has sold all its businesses and is now focusing on building business jets, its only profitable segment. With hopes of travel restrictions easing, the business jet sales will rise. But that is unlikely to bring the company back to profits anytime soon given its huge debt.

Despite all of this, Bombardier stock surged 125% year-to-date and 156% from its pandemic low of $0.41. The stock still has an 80% upside to recover to the pre-pandemic level of $1.9.

Transat

As we talk about the beaten-down airline-related stocks, you can't miss out on **Transat A.T.** (TSX:TRZ). The international tour operator has been in the news for its failed acquisition with Air Canada. Transat was so desperate that it even agreed to AC's 72% price cut. It even blew acquisition talks with its second-best suitor, Pierre Karl Péladeau that offered a similar price ($5 per share) as AC. This was no surprise as Transat was never in favour of Péladeau for his lack of airline experience.

Transat had $302.8 million in cash reserve and a liability of $573.6 million in customer deposits. It needed $500 million in financing to continue, which it got through the government's $700 million bailout.

Transat stock could see recovery if travel restrictions ease. If it recovers to the level before the AC deal, it has a 78% upside.

Investor takeaway

You can buy the above stocks for less than $50. In a normal growth scenario, these stocks are not a good option, but they are good recovery options.

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