



A Big Bank Recommends Air Canada (TSX:AC) and 2 More Stocks

Description

Based on latest data, traffic in Canadian airports is still a little over 20% off the pre-pandemic volumes. However, **National Bank** Financial Markets are bullish on industrial stocks such as **Bombardier** ([TSX:BBD.B](#)), **Héroux-Devtek** ([TSX:HRX](#)), and **Air Canada** ([TSX:AC](#)).

Note that the three companies operate in the transportation sector, which has yet to fully recover from the [global pandemic](#). Also, all the stocks trade at deep discounts. Therefore, a rebound could mean massive returns for investors taking positions in the stocks today.

Accelerating momentum

Bombardier in the aviation industry designs, manufactures, and services the world's most exceptional business aircraft or jets. The 120-year-old, \$2.29 billion company also offers after-market services to clients worldwide. Despite the 7% drop in revenue in Q1 2022 versus Q1 2021, management was pleased with the quarterly results.

Éric Martel, Bombardier's president and CEO, said, "Thanks to continued strong deliveries and order intake, as well as great performance of our aftermarket services, we continue to accelerate our momentum on the path towards our long-term objectives."

The latest positive news is the new five-year collective agreement that averted a general strike by unionized workers. Based on market analysts' forecasts, the stock's return potential is between 17% (low) and 136% (average). As of this writing, Bombardier trades at \$23.11 per share (-44.98% year to date).

World-class customer base

Héroux-Devtek manufactures aerospace products and is the world's third-largest landing gear manufacturer. In fiscal 2022 (12 months ended January 31, 2022), management reported a 6% drop in revenue to \$536.08 million versus fiscal 2021. However, net income grew 62% year over year

to \$32.14 million.

Its president and CEO Martin Brassard said, "We have a strong balance sheet and a world-class customer base. We fully intend to continue delivering quality products while staying close to our customers and seizing new opportunities in the market." The \$498.33 million company, however, expects to continue operating in a difficult environment in 2022.

Current investors are down 19.72% year to date (\$14.45 per share), although analysts covering this industrial stock see a potential upside of 64% in one year.

Compelling entry point

National Bank's price target for Air Canada over the next 12 months is \$31, which is 78% higher than the current share price. According to analysts Cameron Doerksen and Alex Hutton, \$17.42 is a compelling entry point. Also, the airline stock is trading at the June 2020 level when non-essential travel was virtually non-existent.

The bank analysts note the significant increase of commercial airline traffic in Canada in 2022 compared to the last two years. Because of strong demand, Air Canada and other airlines can mitigate or offset higher fuel costs with higher airfares. **BMO** Capital Markets's analyst Fadi Chamoun and **ATB** Capital Markets's analyst Chris Murray think Air Canada could potentially climb as high as \$35 in one year.

For the summer, the \$6.23 billion carrier plans to operate below its pre-pandemic capacity, as the industry stabilizes. Thus far, Air Canada operates at around 80% of its June 2019 schedule. Currently, it has 32,000 employees and is hiring additional workers.

Transportation plays

The big bank focuses on transportation plays because travel recovery is far from its peak. Air Canada in particular should regain its premier status and fly high again in due time.

CATEGORY

1. Investing

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2. TSX:BBD.B (Bombardier)
3. TSX:HRX (Héroux-Devtek)

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