



Bombardier's Report Sends the Stock Soaring

Description

One of today's top performing stocks in the Canadian market is **Bombardier** ([TSX:BBD.B](#)) after the company announced better than expected quarterly results.

Even though earnings per share at \$0.08 were bang on consensus expectations, [in a note earlier this week](#), we indicated the market would be most interested in two other items; margins and a progress report on the company's new C-series aircraft.

The company reported that the C-series is on schedule and as the table below illustrates, the quarter's operating margin was relatively strong.

	Q1'12	Q2'12	Q3'12	Q4'12	Q1'13
EBIT Margin	4.7%	5.1%	4.7%	3.4%	5.5%

Source: *Capital IQ, Company Reports*

Balance sheet/Statement of Cash Flows

While income statement related metrics and qualitative items are hogging the spotlight, the balance sheet and cash flow statement are just as, and perhaps even more important to assess Bombardier's viability as a long-term investment idea.

During the quarter, the company issued \$2 billion worth of unsecured Senior Notes. After considering the prior cash balance of \$2.6 billion and free cash flow usage of \$590 million, along with a few other items, Bombardier was left with a quarter ending cash balance of \$3.7 billion.

This has the company in pretty good shape from a liquidity standpoint, especially when we account for the \$1.4 billion that's available from the company's revolving credit facility.

This facility brings total liquidity to \$5.1 billion, meaning a cash crunch is probably not in Bombardier's future.

The Foolish Bottom Line

Even though the company appears liquid, the aura of financial risk rarely drifts very far from this name. The company's quarterly report indicates total adjusted debt of \$7.9 billion. This measure, combined with the \$2.7 billion pension liability attributed to the firm, leaves Bombardier's balance sheet with negative equity. Negative equity combined with an ability to blow through nearly \$600 million in free cash in a quarter means that it wouldn't take much more than a bump in the night for this builder of trains to run off the tracks.

Bombardier has not treated long-term shareholders very well so we created a special **FREE** report that features 5 Canadian super-companies that have. And, more importantly, will continue to do so! Simply [click here](#) and we'll send you this report, **FREE!**

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Fool contributor Iain Butler does not own shares in any of the companies mentioned in this report at this time. The Motley Fool has no positions in the stocks mentioned above.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:BBD.B (Bombardier)

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