



Is Bombardier Poised to Fly Higher?

Description

By: Chris Lau

Bombardier ([TSX:BBD.B](#)) shareholders have had a nice run of late. And even though shares are pushing their 52- week high, and recent quarterly results were mixed, the manufacturer of both planes and trains could still make gains in the months ahead. Product delays however could be a negative headwind in the short-term.

Let's have a look at Bombardier's profits and sales numbers and see if they indicate that investors should consider buying Bombardier.

Quarterly earnings lowdown

Bombardier earned a combined \$158 million or \$0.09 per share in the most recent quarter, which was roughly the same as the \$167 million it earned last year. In addition, the balance sheet looks solid with \$3.1 billion in cash on hand at the end of the quarter.

Transportation

Bombardier sold \$2.2 billion worth of trains, up from \$1.8 billion last year. New orders supported a higher book-to-bill ratio of 1.5 in the train segment. The firm made several notable deals, including a \$2 billion deal for 450 electric locomotives with Deutsche Bahn AG. Bombardier will also supply \$427 million worth of commuter trains for S-Bahn Hamburg GmbH. This is a subsidiary of Deutsche Bahn AG. Bombardier also won a \$771 million order with Stockholm Public Transport Authority.

Aerospace

Revenue was \$2.3 billion in the quarter ended June 30, 2013 from the sales of 57 aircraft. The firm received 82 net orders, a drop from the 146 received last year. Notable orders include VistaJet, which ordered \$518 million worth of planes, and a Russian firm, which ordered \$2.6 billion worth of commercial planes. The company ended the quarter with an order backlog of \$33.4 billion.

Peer compare

Boeing ([NYSE:BA](#)) and **Embraer** ([NYSE:ERJ](#)) are two of Bombardiers primary competitors in the aerospace industry. The following table lays out some comparable points for the three firms. Of note is the sizeable discount that Bombardier trades when it comes to the Price/Sales multiple. This potentially has to do with the fact that it has both the aerospace and transport divisions, whereas the other two are pure-plays on aerospace.

NAME	MKT CAP (B)	PRICE/SALES	EBITDA(B)
Boeing	\$78.6	0.96	\$7.98
Bombardier	\$8.5	0.47	\$1.13
Embraer SA	\$6.2	1.03	\$0.600

Embraer makes private jets. In July 2013, Embraer [said](#) it expected to hit the lower end of its forecast for 2013. The jet segment for the company is expected to be hurt by global macroeconomic weakness. Still, strong demand last year for the Legacy 650 in China is also expected to continue this year. In the second quarter, the company [lost](#) \$5.3 million, or \$0.03 per share. Despite a weaker outlook, the order backlog grew to \$17.1 billion. This is the highest level since 2009.

While Embraer is focused on the smaller-sized plane side of the industry, Boeing operates at the other end of the spectrum. In Boeing's last quarter, the firm sold 16 of its new 787 model. Boeing expects to sell a minimum of 60 787s in 2013. The firm also increased sales of commercial plains. This helped contribute to the \$1.41 per share in earnings in the second quarter.

Foolish Bottom Line

Boeing and Embraer will benefit from a rebound in the economy, but Bombardier has something more attractive: diversification. Bombardier operates in both the transportation and aerospace sectors. As the firm finalizes development for its C Series plane, it will win customers and increase sales. Should delays persist or demand for planes decline, Bombardier still has its train business. The backlog in transportation should sustain future quarterly sales, and the profit margin should be expected to improve in that time.

Though Bombardier may be poised to move higher, it's provided investors with a volatile ride over the years. For a smoother ride to riches, [click here now](#) and download our special **FREE** report "[3 U.S. Stocks That Every Canadian Should Own](#)".

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Fool contributor Chris Lau does not own shares in any of the companies mentioned at this time. The Motley Fool does not own shares in any of the companies mentioned at this time.

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TICKERS GLOBAL

1. TSX:BBD.B (Bombardier)

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