



Why Bombardier Shares Bombed Today

Description

10% Promise Series

Although we don't believe in timing the market or panicking over market movements, we do like to keep an eye on big changes — just in case they're material to our investing thesis.

What: Shares of aerospace company **Bombardier** ([TSX:BBD-B](#)) plunged 10% today after its quarterly results missed Bay Street expectations.

So what: The stock has plunged since October on concerns over cost-increasing delays, and today's Q4 miss — adjusted EPS of \$0.07 versus the consensus of \$0.11 — coupled downbeat guidance only reinforce those worries. While revenue growth of 15% managed to meet estimates, lower-than-expected free cash flow during the quarter and a dampened margin outlook suggest that Bombardier is facing serious near-term funding risks.

Now what: Management lowered its 2014 EBIT margin target from 6% to 5% in the plane segment and from 8% to 6% at its rail division. "We're both excited and realistic about the next two years," President and CEO Pierre Beaudoin reassured investors. "We've continued to invest during challenging times to improve our leadership position in the market place. We have one overriding objective and commitment: generating strong, sustainable, profitable growth. And our investments are about to pay off."

Given all the uncertainty surrounding Bombardier's liquidity position, however, I wouldn't be so quick to bet *too* much on that optimism.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:BBD.B (Bombardier)

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