



3 Reasons Why Now Is the Time to Buy Bombardier, Inc.

Description

The last couple of months have been rather turbulent for **Bombardier, Inc.** ([TSX: BBD.B](#)), given all the bad news with regards to its CSeries' engine problems, order cancellations and everything else in between.

However, despite all this, analysts at Canaccord Genuity have recently upgraded the company to a 'buy' from a 'hold' rating and continue to maintain that position, with a target price of \$5.00. Here are three reasons to take a closer look at Bombardier.

1. Higher profit expectations

Analysts expect Bombardier's EPS to grow significantly in the coming years because of new product launches at Bombardier Aerospace (BA) and margin improvements at BA and Bombardier Transportation (BT). Additionally, a weaker Canadian dollar is expected to boost margins in the company's aerospace division. BA sells mostly in U.S. dollars but many of its costs are in Canadian dollars.

Canaccord also cautions investors to be patient with the stock since this profit growth story will unfold slowly.

2. Management changes at Bombardier Aerospace

The company has replaced Philippe Poutissou, Vice President of Marketing at Commercial Aerospace (airliners), with Ross Mitchell. And while a core management change usually is a warning bell, Canaccord says this is part of the restructuring process of BA that was announced in July, with the goal to speed up its decision-making process and reduce costs.

BA is expected to cut 1,800 positions from indirect overhead functions and most or all of the reductions are likely to occur by the end of 2014. In their research note, analysts at Canaccord say they “project a \$90-180 million savings from the headcount reductions, which should boost BA margins by 0.8-1.7% and BBD EPS by \$0.04-0.08.” Furthermore, they also note that “BT is planning a 1,000 headcount reduction, which should boost BT’s margins by 0.5-1.0% and BBD EPS by \$0.02-0.04.”

3. CSeries flights expected to resume soon

These flights have been grounded since May because of engine issues, but the company said it expects the test flights to resume in the coming weeks.

Analysts believe Bombardier is taking its time to fix the issues because it wants to resume flight testing in a robust manner and says the company still sounds very confident that entry into service (first deliveries) will occur in the second half of 2015.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:BBD.B (Bombardier)

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