Why You Should Still Avoid Bombardier Inc. and Westport Innovations Inc.

Description

Life has been unpleasant recently for shareholders of **Bombardier Inc.** (TSX: BBD.B) and **Westport Innovations Inc.** (TSX: WPT)(Nasdaq: WPRT). Both companies have had plenty of challenges, and their stock prices have plummeted — over the past two years, Bombardier and Westport shares have fallen by 22% and 69%, respectively.

So at this point, is either company a bargain? Below, we take a look at each.

Bombardier: the news could get much worse

The main source of Bombardier's problems has been the CSeries jet, a project that has endured multiple delays and cost overruns. As a result, the company has been burning cash, and this has put tremendous pressure on the balance sheet. To illustrate, since the beginning of 2011, net debt has swollen from $500 million to over $5 billion.

And until the CSeries is finally delivered, cash flow will continue to be negative. So it is critical that Bombardier meet its 2015 year-end deadline. If there are any more delays, then the company may run into trouble meeting a $750 million bond payment due in early 2016.

Bombardier maintains that it will reach the 2015 deadline. But others are not so convinced. **Goldman Sachs** analyst Noah Poponak said that more delays are "inevitable." Another experienced analyst called the company "borderline delusional."

Granted, there has been some good news for Bombardier — recently, the company received a big order for CSeries jets from Macquarie AirFinance. But this is still a big gamble for any portfolio. After all, you don't usually want to bet against anyone from Goldman Sachs. So your best bet is to steer clear.

Westport: still too expensive

The news has been even worse for shareholders of Westport, and last week's press release was just the latest blow. In the release, Westport said it expected revenues of $130 million to $140 million for 2014. This was a big drop from previous estimates of $175 million to $185 million. And it was also a big drop from $164 million in revenue from 2013.

There have been other negative headlines. Reports have come out that natural gas engines, which Westport supplies, have not caught on as much as previously expected. For example, natural gas-powered truck sales have increased by 20% this year, but previous estimates had been for 100%.

Westport's shares have absolutely plummeted — in 2014 alone, they're down by more than 60%. But they're still too expensive. To illustrate, the shares trade at about three times 2013's revenue. This is a big multiple for most companies. But it's especially large for a company with shrinking revenue and no profitability. Once again, your best bet is to stay as far away as possible.

So at this point, both of these stocks are far too risky for most portfolios. Luckily, there are much better alternatives. Some are profiled in the free report below.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NASDAQ:WPRT (Westport Fuel Systems Inc.)
2. TSX:BBD.B (Bombardier)

Category

1. Investing

Date
2025/07/04
Date Created
2014/10/06
Author
bensinclair