

## Should You Be Bullish on Bombardier Inc.?

### Description

**Bombardier Inc.** ([TSX: BBD.B](#)) is at a six-month high and new investors are wondering if the recent bounce in the stock is sustainable, or just another test run.

Let's take a look at the current situation to see if Bombardier deserves to be in your portfolio right now.

### Reorganization

Bombardier recently reported Q3 2014 adjusted net income of \$0.12 per share that marginally beat consensus estimates. During the quarter the company announced it will cut 2,000 jobs as it restructures the business. The reduction in staff is expected to translate into \$200 million in annual expense savings.

### Available cash

The part of the earnings statement that investors should be concerned about is the change in cash available to operate the business. Cash and cash equivalents dropped to \$1.9 billion as of September 30, 2014, compared to \$3.4 billion at the beginning of the year. The company also has a revolving credit facility of \$1.4 billion.

Management considers the capital resources combined with expected cash flow from operations to be sufficient to cover both operating costs and dividend payments. This is probably true as long as the company is able to deliver its planes on time.

Bombardier is burning through cash at a fantastic rate because its troubled CSeries project is now two years behind schedule and \$1 billion over budget. Orders for the CSeries planes appear to be coming in on schedule, but the company has to get the first jets delivered and into commercial operation by the end of 2015.

So far, the track record on the project hasn't been great and analysts think the deadline could get pushed into 2016.

This is where the situation gets a bit worrisome. Airlines generally don't pay for planes until they take delivery. Bombardier has taken on a lot of debt to fund the CSeries project and the company has to meet its end-of-2015 delivery target in order to be able to pay back a \$750 million debt obligation due in 2016.

Here's a look at Bombardier's debt maturity profile provided in the company's Q3 2014 earnings report.

[Bombardier Inc. Debt Maturity Profile](#)

Source: Bombardier Inc. Q3 2014 Earnings Report

## What about the transport business?

All the attention is currently being placed on the aerospace division, but there are also some competitive concerns for the transport group.

Bombardier Transport is a world-class operation and very successful, but it just lost a bid to supply trains to Boston's subway system. The winner of the contract was China CNR Corp., a company that is rapidly expanding its reach around the globe. The \$567 million deal is a big win for the Chinese company as it targets new business in the North American market. If the China CNR trains work out well for Boston, a number of other cash-strapped cities in the U.S. could opt for the Chinese manufacturer instead of Bombardier.

## Should you buy?

The big question mark right now is Bombardier's ability to hit its revised CSeries delivery target. If the project gets delayed again and deliveries are pushed into 2016 or later, the company will have to tap the capital markets once more to raise funds to cover the maturing debt. This would be a big negative for the stock.

Bombardier is still a risky bet. At this point, it might be best for new investors to wait for the company to prove that its CSeries program really is back on track. If you want a stock that delivers stability, dividend growth, and a history of consistent capital appreciation, check out the free report below for our top pick.

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. TSX:BBD.B (Bombardier)

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