

Should You Buy, Sell, or Hold Bombardier Inc. Following its Q4 Earnings Beat?

Description

Bombardier Inc. ([TSX:BBD.B](#)), the world's only manufacturer of both planes and trains, announced fourth-quarter earnings before the market opened yesterday and the results surpassed analysts' expectations.

Let's break down the quarterly results to determine if we should consider initiating long-term positions today, or if we should wait for a better entry point in the trading sessions ahead instead.

The quarterly results are in

Here's a summary of Bombardier's fourth-quarter earnings compared what analysts had anticipated and its results in the same period a year ago.

Metric	Reported	Expected	Year Ago
Earnings per share	\$0.04	\$0.03	\$0.07
Revenue	\$5.96 billion	\$5.80 billion	\$5.32 billion

Source: *Financial Times*

Bombardier's earnings per share decreased 42.9% and its revenue increased 11.9% compared to the fourth quarter of fiscal 2013. The company's steep decline in earnings per share can be attributed to adjusted net income decreasing 35.7% to \$83 million, while its double-digit increase in revenue can be attributed to strong sales growth in both of its major segments, including 15.8% growth to \$3.33 billion in its Aerospace segment and 7.5% growth to \$2.63 billion in its Transportation segment.

Bombardier also noted that it delivered a total of 101 aircraft during the fourth quarter, compared to 83 in the year-ago period, and it received 67 net orders, compared to 252 in the year-ago period.

Here's a quick breakdown of eight other notable statistics and updates from the report compared to the year-ago period:

1. Gross profit increased 3.2% to \$646 million.
2. Gross margin contracted 100 basis points to 10.8%.
3. Operating profit before special items decreased 16.1% to \$156 million.
4. Operating margin contracted 90 basis points to 2.6%.
5. Adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) decreased 6.8% to \$272 million.
6. Adjusted EBITDA margin contracted 90 basis points to 4.6%.
7. Cash provided by operating activities decreased 30.5% to \$1.03 billion.
8. Free cash flow decreased 23.5% to \$590 million.

Finally, at the conclusion of the fourth quarter, Bombardier reported a backlog valued at approximately

\$69.1 billion, a decrease of 0.9% from the year ago period, and this included a backlog of approximately \$36.6 billion in its Aerospace segment and a backlog of approximately \$32.5 billion in its Transportation segment.

Does Bombardier represent a long-term opportunity?

Bombardier is one of the world's largest manufacturers of planes and trains, and increased demand for its products led it to a very strong performance in the fourth quarter of fiscal 2014.

I think Bombardier's stock represents a fantastic long-term investment opportunity, regardless of how it reacts to the earnings release over the next couple of trading sessions, because it trades at very low valuations, including just 8.7 times fiscal 2014's adjusted earnings per share of \$0.35 and only 7.1 times analysts' earnings per share expectations of \$0.43 in fiscal 2015, both of which are very inexpensive compared to its five-year average price-to-earnings multiple of 11.6.

With all of the information above in mind, I think Bombardier represents one of the best long-term investment opportunities in the market today, so investors should take a closer look and strongly consider initiating positions.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:BBD.B (Bombardier)

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