



At Less Than \$2 Per Share, Is Bombardier Inc. a Value Play?

Description

Bombardier Inc. ([TSX:BBD.B](#)), one of the world's leading manufacturers of planes and trains, announced better-than-expected second-quarter earnings results before the market opened on July 30, but its stock has responded by falling over 17% in the trading sessions since. The stock now sits more than 63% below its 52-week high of \$4.43 reached back in December 2014, so let's take a closer look at the results and its current valuations to determine if we should consider initiating long-term positions today, or if we should wait for an even better entry point in the weeks ahead.

The better-than-expected performance

Here's a summary of Bombardier's second-quarter earnings results compared with what analysts had expected and its results in the same period a year ago. All figures are in U.S. dollars.

Metric	Reported	Expected	Year-Ago
Adjusted Earnings Per Share	\$0.06	\$0.05	\$0.10
Revenue	\$4.62 billion	\$4.61 billion	\$4.89 billion

Source: *Financial Times*

Bombardier's adjusted earnings per share decreased 40% and its revenue decreased 5.5% compared with the second quarter of fiscal 2014. The company's steep decline in earnings per share can be attributed to its adjusted net income decreasing 24.5% to \$145 million, while its slight decline in revenue can be attributed entirely to the negative impact of currency fluctuations. On a constant-currency basis, Bombardier's revenues increased approximately 2%.

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

1. Revenues decreased 12.1% to \$2.09 billion in its transportation segment
2. Revenues increased 11.8% to \$1.82 billion in its business aircraft segment
3. Revenues decreased 20.7% to \$598 million in its commercial aircraft segment

4. Revenues decreased 2.3% to \$472 million in its aerostructures & engineering services segment
5. Adjusted earnings before interest, taxes, depreciation, and amortization decreased 8.6% to \$329 million
6. Free cash flow usage of \$808 million, compared to a usage of \$424 million in the year-ago period
7. Backlog decreased 6.2% to \$64.8 billion
8. Available short-term capital resources increased 14.7% to \$4.41 billion

Should you buy Bombardier today?

It was a solid quarter overall for Bombardier, and the results surpassed analysts' expectations, so I do not think the post-earnings drop in its stock was warranted. With this being said, I think the drop represents a great long-term buying opportunity, especially because the stock now trades at very low valuations, including a mere 8.4 times fiscal 2015's estimated earnings per share of \$0.19, which is inexpensive compared with its five-year average price-to-earnings multiple of 11.5.

With all of the information provided above in mind, I think Bombardier represents one of the top value plays in the market today. Foolish investors should strongly consider beginning to scale in to long-term positions.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:BBD.B (Bombardier)

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