



## Contrarian Investors: Is it Time to Board Bombardier Inc.?

### Description

**Bombardier Inc.** ([TSX:BBD.B](#)) continues to make headlines and most of the news isn't good.

Contrarian investors know the best time to buy a long-term winner is when the entire market is running for the exits, but the trick lies in making sure the stock is headed for the stars and not a falling knife that is destined for bankruptcy.

Let's take a look at Bombardier to see if the stock finally looks attractive.

### CSeries woes

Much of Bombardier's pain revolves around its struggle to get its CSeries jets certified and into commercial service.

The program is already more than two years behind schedule and \$2 billion over budget. Management says it is on target to meet the revised 2016 in-service date, but investors have heard these reassurances a number of times before.

The company hasn't booked a new order for the CSeries since last September and that has analysts worried the industry is no longer interested in the new planes. If that weren't cause enough for concern, a report just came out that suggests the company could actually lose up to 100 of its orders that are supposed to be delivered between 2015 and 2018.

That would be a disaster for the company and shareholders.

### Cash flow concerns

Getting the planes into the hands of customers is critical because airlines don't usually pay until they take delivery. The long delays and budget overruns have been a killer for Bombardier's balance sheet and it continues to bleed cash at a fantastic rate.

Earlier this year the company managed to find buyers for its US\$2.25 million in new debt and \$1.1

billion in new stock, but the next round is going to be much more expensive and dilutive for shareholders.

At the current burn rate, Bombardier will probably have to head to the market again with cap in hand sometime in the second half of 2016. This could be avoided if the company can get a good price for a part of its transportation unit, but getting the first planes delivered early next year is still critically important.

### **Plummeting stock price**

Bombardier currently trades at \$1.52 per share, down 60% in the past 12 months. One analyst recently reduced his price target down to \$1 per share, so the investment community isn't particularly upbeat about the prospects.

### **Is it time to get on board?**

I think it is still too soon to book a seat on this flight.

The company will probably have to raise more money in the next 18 months. Moody's just downgraded Bombardier's massive debt load, and that means it will be more difficult and expensive for the company to raise funds.

The longer Bombardier waits to seek more cash, the lower the stock is likely to go because the market knows existing shareholders will get hammered when it happens.

Contrarians should wait until the next round of funding is complete.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. TSX:BBD.B (Bombardier)

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