



## Why Did Bombardier Inc. Shares Soar 60% Last Week?

### Description

This year has not been a good one for shareholders of **Bombardier Inc.** ([TSX:BBD.B](#)), but last week brought some much-needed relief.

After the shares closed at \$1.19 on Tuesday, the company's stock price rocketed up to \$1.46 on Wednesday, then up to \$1.88 the following day. Even after declining to \$1.86 on Friday, Bombardier's shares were still up nearly 60% for the week.

So, what caused all this? And is now a good time to buy?

### A big offer

Before markets opened on Tuesday, *Reuters* reported that Bombardier had been offered up to US\$8 billion for its rail division. This number was far higher than the US\$5 billion that analysts thought the business was worth.

Bombardier turned the offer down because it doesn't want to sell off its rail business just yet. But the company may be forced to sell the unit in the future, and that offer likely won't go away. What makes this especially exciting is that Bombardier could *eliminate* its debt load by accepting such an offer.

In the meantime, Bombardier is planning to divest a minority stake in its rail business through an IPO. And investors should be willing to pay up for the stake, knowing that another company is willing to pay US\$8 billion for the whole thing. Bombardier's stock price reacted accordingly.

### Some much-needed progress

The next day, Bombardier announced that the CSeries is indeed the quietest commercial jet in its class, according to its latest tests. The company also announced that the CS100 is ready for function and reliability tests, and that the CSeries certification program is "over 85% complete."

It was these last two announcements that really excited investors. After all, the CSeries has already undergone multiple delays, costing the company billions of dollars. At this point, there's very little faith

in management, which makes this milestone all the more meaningful. Once again, Bombardier's stock price reacted accordingly.

### **What happens from here?**

If all goes smoothly for Bombardier, there's still plenty of upside left for its stock price, especially if the company ends up accepting the offer for its rail unit.

But there are still some big things that could go wrong. The CSeries could incur another delay. Or the business jet market may keep deteriorating. The US\$8 billion offer may not be there when Bombardier needs it. These risks make the company's shares very risky, especially with US\$9 billion of debt on the balance sheet.

So for now your best bet is to wait until next year before buying Bombardier shares. There may not be so much upside left, but at least there will be a clearer picture.

### **CATEGORY**

1. Investing

### **POST TAG**

1. Editor's Choice

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