



Why Bombardier Inc. Should Be Worth at Least \$2 Per Share in 12 Months

Description

As we all know, 2015 has been a very bad year for **Bombardier Inc.** ([TSX:BBD.B](#)), and the company's stock price has plummeted as a result.

But there have been some positive developments more recently, and Bombardier's shares are starting to look seriously undervalued. In fact, there's a strong argument Bombardier should *conservatively* be worth \$2 per share by next year. We take a closer look below.

A sum of the parts

Earlier this week, *Reuters* reported that Bombardier had received an offer for its rail unit from a Chinese state-owned company. The offer was for US\$7-8 billion, but Bombardier was not interested in selling the unit at the time.

But the company seems open to selling the unit down the road, and the Chinese offer will likely still be there. So, one could fairly easily value Bombardier's rail business at US\$7 billion.

Regarding the CSeries, Bombardier had already spent US\$4 billion on the program at the beginning of this year. If the company were to sell this program to a rival, it should be able to recover at least US\$2 billion.

The business aircraft division is harder to value simply because the market is very soft right now. But the unit has still made over US\$100 million in pre-tax earnings through the first six months of this year. It also has over US\$20 billion in backlog. So, a valuation of at least US\$1 billion should be very conservative.

If you add it all up and subtract Bombardier's net debt, you arrive at a very reasonable US\$4 billion valuation, equivalent to roughly \$2.75 per share.

From there you can make some deductions. Remember, Bombardier is still burning cash, and its debt remains at scary levels. The shares are tightly controlled, which may prevent the company from realizing its full value. Another delay in the CSeries program would be devastating. But Bombardier is

still worth at least \$2 per share, and one would expect this value to be realized within the next year.

Is now the right time to buy Bombardier?

Bombardier finally seems to have turned a corner, and there seems to be more upside than downside at this point.

Yet there will likely be an even better opportunity in the months ahead. Remember, many investors have sworn off the company altogether. Even if the turnaround goes smoothly, the shares likely won't respond as much as they should. In the meantime, the risks remain very high, and the stock price will plummet if anything goes wrong.

For now, your best bet is to wait. But this is certainly an opportunity to keep your eyes on.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:BBD.B (Bombardier)

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