



Bombardier, Inc.: There May Be a Golden Opportunity to Buy the Stock on October 29

Description

Bombardier, Inc. ([TSX:BBD.B](#)) is set to report its third-quarter earnings figures on October 29 before markets open. And on that day, there may be a golden opportunity to buy the stock after the numbers are out. We take a look at why below.

The numbers will likely be ugly

The CSeries jet program has garnered most of the headlines thus far, but there are two other big issues that could dominate the discussion on the 29th.

One of these issues is the struggling business-jet market. Just last quarter, Bombardier secured only eight new business-jets orders compared to 30 the year before. The main reason for the slowdown is China, whose slowing economy and corruption-fighting efforts are lessening demand for business jets.

This trend should continue and could even strengthen. Many of China's state-owned banks lease business jets, and now that the market is so weak, those banks are looking to shed their excess aircraft. That's creating extra competition for the likes of Bombardier, and there's no sign of this turning around.

The other issue is Bombardier's cash flow, which recently has been abysmal. Through the first six months of 2015, the company burned through nearly US\$1.6 billion in cash, and you should expect more of the same for the third quarter. After all, there haven't been any new CSeries orders, and the business-jet market remains weak. And there's no reason to expect Bombardier's expenses to slow down.

If Bombardier's cash flow is indeed severely negative, then the company's liquidity will be called into question once again. Debt-rating downgrades would likely follow. And there will certainly be speculation about bankruptcy. This could all cause the stock price to absolutely plummet.

There will be plenty of upside

Let's get one thing straight: Bombardier is not going anywhere. Sure, the company has liquidity issues, but it also has a bunch of ways to raise more capital.

For starters, it could sell the rail division. A Chinese buyer was reportedly willing to pay up to US\$8 billion for it, and that offer likely isn't going away. Bombardier has also been looking at selling a majority stake in the CSeries. Either of these options seem to be very popular among shareholders, and for good reason.

Once Bombardier's liquidity starts to dry up (a Scotia Capital analyst thinks this could happen sometime next year), then the company will have to act, and would likely pursue one of these popular options. If Bombardier's share price is low enough at the time, which may very well be the case, then there would be a lot of upside.

Only then do you want to be holding Bombardier stock. Until then, you should sit back and wait patiently.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:BBD.B (Bombardier)

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