



Should You Buy, Sell, or Hold Bombardier, Inc. After its Q3 Earnings Miss?

Description

Bombardier, Inc. ([TSX:BBD.B](#)) is one of the world's leading manufacturers of planes and trains, and it announced weaker-than-expected third-quarter earnings results before the market opened on October 29. Its stock responded by falling over 12% in the trading session that followed, and it has only partially recovered since.

The stock still sits more than 67% below its 52-week high of \$4.43 reached back in December 2014, so let's break down the quarterly results and the fundamentals of its stock to determine if we should consider initiating long-term positions today, or if we should look elsewhere for an investment instead.

The results that fell well short of analysts' expectations

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

Metric	Q3 2015 Actual	Q3 2015 Expected	Q3 2014 Actual
Earnings Per Share	\$0.00	\$0.03	\$0.12
Revenue	\$4.14 billion	\$4.57 billion	\$4.91 billion

Source: Financial Times

Bombardier's adjusted earnings per share decreased 100% and its revenue decreased 15.7% compared with the third quarter of fiscal 2014. The company's dramatic decline in earnings per share can be attributed to its adjusted net income falling 99.1% to just \$2 million.

Its steep decline in revenue can be attributed to revenues falling in all four of its major segments, including a 15% decline to \$1.99 billion in its Transportation segment, a 5% decline to \$1.56 billion in its Business Aircraft segment, a 39% decline to \$480 million in its Commercial Aircraft segment, and a 7.4% decline to \$411 million in its Aerostructures & Engineering Services segment.

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

period:

1. Gross profit decreased 38.7% to \$417 million
2. Adjusted earnings before interest, taxes, depreciation, and amortization decreased 54.8% to \$179 million
3. Adjusted earnings before interest and taxes decreased 74.2% to \$75 million
4. Order backlog decreased 10.6% to \$61.8 billion
5. Available short-term capital resources decreased 5% to \$3.65 billion

Bombardier also announced that the Government of Quebec would invest \$1 billion in its CSeries aircraft program in return for a 49.5% equity stake in a newly created limited partnership.

The company's president and chief executive officer, Alain Bellemare, went on to state, "This partnership comes at a pivotal time, with the CSeries on the verge of certification. The market is there, our leadership is in place, we have the best product and with the support of the government, we are ready to make this aircraft a commercial success."

What should you do with Bombardier stock today?

It was an awful quarter for Bombardier, but the \$1 billion investment by the Government of Quebec was a major plus, so I think the sell-off of more than 12% was well overdone.

With this being said, I think the stock will continue to slowly rebound over the next couple of weeks, because of the investment by Quebec and because it trades at attractive valuations, including just 8.5 times fiscal 2015's estimated earnings per share of \$0.17, which is very inexpensive compared with its five-year average price-to-earnings multiple of 13.2.

I also think the stock will continue higher over the next several years, because the company has been making several moves to set itself up for future success, including strategic reviews of its business, shoring up its management team, and improving its liquidity, and I think this, paired with the impending launch of its CSeries program, gives it plenty of catalysts for growth going forward.

With all of the information provided above in mind, I think Bombardier represents one of the top turnaround plays in the market today. All Foolish investors should take a closer look and consider beginning to scale in to long-term positions.

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1. Investing

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1. Editor's Choice

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