



## Bombardier, Inc. Lowers Expectations Again With a Production Cut Announcement

### Description

You really have to wonder when things will start to go right for **Bombardier, Inc.** ([TSX:BBD.B](#)).

The company has had a disaster of a year, with revenues drying up and the stock flirting with penny-stock status. The Montreal-based company that posted revenues of \$20.1 billion last year now has a market cap of under \$2.8 billion.

While the company did get a liquidity infusion from the Quebec government and the Quebec public pension fund, the company is still a ways off from being on firm financial footing and having the revenue needed to sustain operations and pay down the ballooning debt.

### What has changed with Bombardier?

The company previously announced that business jet production for the Global 5000 and 6000 lines would be cut in 2016 because of weak demand in Latin America, Russia, and China. What wasn't really mentioned, but is assumed, is that the cut in production will eat into revenues for 2016.

Bombardier recently noted during its Investor Day that 2016 EBIT would be lower due to the CSeries ramp-up. Longer term, the company sees margins increasing again to the 7-8% range by 2020, whereby the company will begin to focus on reducing debt.

The CSeries is the company's golden egg. It's an airliner with over 200 orders that can potentially spell billions in revenue for the company. Unfortunately, the project is now several years overdue and several billion over budget, which is largely responsible for the current financial situation the company is in at the moment.

### New Year, new opportunities

During the Investor Day presentation, CEO Alain Bellemare outlined a five-year plan to improve revenues and reduce debt. Some of the targets noted include attaining target revenue of US\$25 billion, setting EBIT margin rates to 7-8%, and targeting free cash flow that will equal at least 80% of net

income.

The company has undergone a transition in staffing and in mindset over the past year, including Bellemare, who joined the team in February. There is a renewed focus from the management team to complete the current dock of projects, become profitable, and increase shareholder value. With the stock currently trading at \$1.19, the company represents an extremely inexpensive albeit risky option.

### **Is Bombardier a good buy or not?**

Bombardier is either one of the riskiest stocks to own or one of the most lucrative depending on your appetite for risk and how the company will fare over the next six to nine months. The stock is extremely volatile at the moment, so only those investors who are fully comfortable with that level of risk should attempt to take a position. Those investors who are already invested in Bombardier should hold their positions for what is going to be a long year for the company that could potentially turn profitable some years beyond 2016.

### **CATEGORY**

1. Investing

### **POST TAG**

1. Editor's Choice

### **TICKERS GLOBAL**

1. TSX:BBD.B (Bombardier)

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