



Is Bombardier, Inc. About to Rally?

Description

Bombardier, Inc. ([TSX:BBD.B](#)) has been on a roller-coaster ride for the past couple of months with the stock seeing big daily moves on a regular basis.

Last week was certainly a good example.

The stock started the week at about \$1.25 per share. It fell as low as \$1.13 and then rallied to \$1.39 before settling out at \$1.29.

Traders are having a field day, but long-term investors are now wondering if a bottom could be near for the stock.

Here's why that could be the case.

CSeries certification

Bombardier has finally completed the flight-testing certification of its CS100 plane and is now awaiting the final acceptance required from Transport Canada. The company expects the certification to arrive in the coming weeks.

The announcement could light a fire under the stock and pave the way for a strong move in 2016.

Once the certification is complete, Bombardier will focus all of its efforts to get the first planes delivered in the first half of next year. If the initial delivery is made on schedule, the shares could catch a nice tailwind.

Cash concerns

The Quebec government and the province's public pension fund recently ponied up US\$2.5 billion to help Bombardier get its CSeries planes completed.

The province now owns about half of the CSeries project and the Caisse du Depot & Placement du Quebec will take a 30% equity interest in a new company being formed to hold Bombardier Transport,

the division that produces trains and street cars.

The cash injection solves the company's funding concerns for at least the next 18 months, and that is likely to put a floor under the stock.

CSeries orders

Funding is no longer an immediate issue, but concerns still remain for the CSeries program. Bombardier says a number of airlines are interested in the long-delayed jets, but the company has not received a new order since September 2014, and some of the "top" customers for the current backlog of 243 orders are facing financial constraints of their own, which could put delivery of the new planes on hold.

However, the market appears to be pricing in a worst-case scenario. Any new order would be seen in a positive light, especially if it comes from a major U.S. or European carrier.

Should you buy Bombardier?

I have been negative on the stock for more than a year, and there are still serious financial concerns. The company is sitting on a mountain of debt and the CSeries isn't expected to be profitable until at least 2020. That's assuming everything goes according to plan from here on out.

The rail division also has some problems to deal with. The group is struggling to meet delivery targets on a major streetcar order for Toronto, and Chinese competitors are targeting the North American commuter-train market.

Nonetheless, there is a chance the worst is finally over for the company.

If you have a contrarian investing style and believe the company is getting its act together, it might be time to consider a small position in the stock. Personally, I would prefer to miss some potential upside and wait until the first jets are delivered.

This is still a risky pick, and new investors should be prepared for more volatility in the coming months. If another CSeries delay is announced, the shares will drop like a rock.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:BBD.B (Bombardier)

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