



## Should Investors Avoid Bombardier, Inc. for Now?

### Description

One of the mistakes investors make is that they look at a share price and believe that it tells the whole story. This is particularly true of once-large companies because there is a belief that they will turn things around.

**Bombardier, Inc.** ([TSX:BBD.B](#)) is a company that I believe investors want to buy because of how cheap shares are. However, this isn't a company worth investing in.

But what went wrong?

For all intents and purposes, the CSeries should have been Bombardier's saving grace. The plane would be the most fuel efficient available to airline companies, putting it in prime position to succeed. With fuel being one of the greatest costs, the more efficient the planes, the better.

But then there were delays. And further delays. And each of these delays started to create concerns for the airline companies that were thinking about buying the planes. Right now Bombardier only has 243 orders for the CSeries, which is significantly fewer than the 300 that it wanted to have for launch.

Even then, many of the clients are secondary airlines. The company had pushed for **United Continental Holdings Inc.** to purchase planes, but it decided to buy 40 planes from **Boeing Inc.** And now Bombardier is waiting to hear if **Delta Airlines Inc.** will buy from them, though if previous decisions are any indication, I expect Delta to go with the companies they know and trust.

This doesn't mean that Bombardier is completely doomed. The government of Quebec invested US\$1 billion for 49% of the CSeries program. Further, the largest pension fund in Quebec invested US\$1.5 billion for 30% of Bombardier's transportation division. So the company certainly has money, but it is still burning a lot of cash.

### When to buy?

My belief is that investors should just avoid Bombardier. The stock has been beaten down; it is doing the best it can to turn things around, but it still doesn't have enough large clients buying its planes. All

of that is bad news for the company and will continue to weigh the stock down.

The time to buy Bombardier is when there is some good news. While it might minimize your profits a little, you'll reduce your risk. Specifically, I would wait to hear that a big airliner has agreed to buy planes from Bombardier or for the company to show that it has been able to cut costs further.

Unfortunately, the present-day valuation plus the amount of debt that it has make this stock incredibly risky. There's nothing stopping this stock from going even lower. The long term could certainly be bright for Bombardier, but based on its track record with the CSeries, I only see negativity.

## **CATEGORY**

1. Investing

## **TICKERS GLOBAL**

1. TSX:BBD.B (Bombardier)

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1. Investing

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