



## Bombardier, Inc. Has Doubled in Value: Is it a Buy?

### Description

One of the things that amazes me about **Bombardier, Inc.** ([TSX:BBD.B](#)) is that despite the fact it should probably be dead right now, it continues to claw its way back, trying desperately to stay alive. It has raised significant money from the government and is pushing hard to launch its CSeries program, so it can start to actually generate revenue.

And it appears that investors are hungry for that chance as well. Three months ago, this stock traded at less than \$1 a share. It has effectively doubled in value in three months, and that has investors excited.

The good news is that it appears that the company is starting to firm up some orders. It has a signed letter of intent from **Air Canada** to sell it 45 CSeries jets. While the specifics are still not signed, the market believes it'll happen. Yet, even if it doesn't happen, the potential for a large airline to buy planes has smaller airlines more interested in Bombardier; for example, Air Baltic has committed to purchasing seven planes.

But the news that has investors hungry is the rumour that **Delta Air Lines** wants to buy a significant number of planes—75 planes with the option to acquire 50 more planes. There's no denying that Delta is interested in the CSeries; its CEO has talked positively about the plane. And it clearly has a need to replace its very old MD-80 fleet.

However, I'm not looking at the \$6 billion in revenue that the Delta deal would offer until there is ink on paper.

The reason for that is because Bombardier has had a really hard time following through when it matters most. It is already \$2 billion over budget and over two years behind schedule. There should be dozens of CSeries planes in the sky already, and yet there are none. Bombardier is stuck with billions in debt because it hasn't been able to generate cash flow from this division.

And even if we step away from the CSeries, its inefficient practices have dripped over into its rail division, which was considered one of the shining examples of an amazing business. Bombardier was unable to deliver a significant streetcar order to Toronto on time, and it failed miserably to upgrade the automatic train control in the London Underground. It was so bad, London paid Bombardier \$155

million to break the contract. It would've been way better if Bombardier had succeeded.

I'm not trying to diminish the serious money some investors have made over the past three months, having effectively doubled the price of the stock. However, until Bombardier starts to actually deliver planes to its customers and starts to see cash flow into its bank, I am still tremendously bearish on this company.

Bombardier could continue rising and prove me wrong; however, there are plenty of really great companies out there. I see no reason to stake my portfolio on what I believe is still a gamble. For now, this stock remains a hard-core "avoid."

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. TSX:BBD.B (Bombardier)

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## Date

2025/08/24

## Date Created

2016/04/29

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