



Bombardier, Inc. Already Doubled: Can it Double Again?

Description

Time and again, **Bombardier, Inc.** ([TSX:BBD.B](#)) fights its way back from the claws of death. With significant amounts of money raised from the government, Bombardier is finally preparing to launch its CSeries program.

The company has gone from trading below \$1 per share in January up to \$2, more than doubling in value very quickly. But now more investors are intrigued and are starting to ask if it can increase even more. Could it double again?

What sent this stock up to begin with was a series of new orders from a multitude of companies.

Air Canada signed a letter of intent to acquire 45 CSeries jets. While it's only a letter of intent, it seems both companies are serious about getting this deal done.

Air Baltic, which originally signed a letter of intent in 2014, announced that it was moving all its Latvian aircraft to Bombardier with an additional seven CSeries jets ordered. And **Delta Air Lines** announced that it was going to buy 75 CSeries planes.

Finally, there are rumours that **JetBlue Airways Corp.** might make an order after putting talks off a couple of months ago. While none of these orders have actually been delivered (which means no cash has been given to Bombardier), it is still exciting news for the company.

But that doesn't mean that all is good in the world for Bombardier or its investors.

The company has US\$9 billion in debt, which can become even more expensive as the U.S. dollar strengthens. On top of that, **Republic Airways** recently filed for bankruptcy, which means that its 40-plane order may fall through, nearly offsetting the Air Canada deal. Finally, analysts don't expect that the CSeries division can even turn a profit until 2020.

Then there's the fact that the company's rail division is also having issues. Between delays with a streetcar deal in Toronto and then competition from Chinese firms in Boston and Chicago, Bombardier is having a hard time moving any of its business forward.

Therefore, we're left with the question I asked above: can this stock double again?

Based on everything that's going on with the company right now, I don't expect to see the stock to double anytime soon unless a few things happen. First, the rail division has to get its operations under control. Further, the company has to actually deliver planes to its clients in exchange for cash. It's one thing to have orders; it's something entirely different to actually be paid.

There's no denying that Bombardier could be a turnaround company that could head up. However, having risen over 100% in a few months on news alone makes me nervous that this might be overinflated. Therefore, if you're considering buying shares, understand that this is currently more of a trade than an investment and that the company is not really a long-term buy until it starts to actually sell planes.

However, if you can stomach the volatility, you could get in before many other investors, maximizing your ROI.

CATEGORY

1. Investing

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1. Editor's Choice

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1. TSX:BBD.B (Bombardier)

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