



## Bombardier, Inc.: Can Investors Finally Trust This Stock?

### Description

**Bombardier, Inc.** ([TSX:BBD.B](#)) has more than doubled off the lows of the year, and the recent stability in the stock has investors wondering if the worst is over for this Canadian icon.

Let's take a look at the current situation to see if Bombardier deserves to be in your portfolio.

### Extended turbulence

Bombardier's investors have been on a harrowing ride for the past few years as the company's game-changing CSeries program has struggled with cost overruns and development delays.

Management suspended the dividend and raised capital in early 2015, but the need for further support became apparent later in the year and Bombardier was forced to turn to the Quebec government and the province's pension fund for commitments of US\$2.5 billion.

The stock continued to crater into the New Year, dropping below \$1 per share in February. Investors figured a lack of new orders since September 2014 was enough reason to bail out on the stock, and pundits were becoming more convinced Bombardier was destined for bankruptcy.

### The surprise recovery

The surprise turnaround has come on the heels of a string of new orders for the beleaguered CSeries planes.

**Air Canada** got the ball rolling with a letter of intent to purchase 45 CSeries jets. The company has yet to firm up the deal, despite comments in April that the two firms would have the details ironed out "within weeks."

**Air Baltic** then provided an extra boost to the stock with a decision to convert an option for seven CSeries planes to a firm order.

The stock was also finding support as rumours spread that the federal government was close to kicking

in at least US\$1 billion to further shore up Bombardier's balance sheet.

Bombardier executives have said they don't really need the money and an agreement still hasn't been reached. On the weekend, Innovation Minister Navdeep Bains said the government was still in discussion with the company on the terms of a possible aid package.

**Delta Air Lines** provided the strongest tailwind for the stock when it announced a deal to purchase 75 CSeries jets. This pushed the firm order book above Bombardier's target of 300 planes before the start of commercial service and has been the big reason for the stock's stability around the \$2 mark for the past six weeks.

### Investors beware

Bombardier spokeswoman Marianella de la Barrera recently confirmed Bombardier has not yet received any funds from the province as Quebec continues to negotiate the terms of its investment, which will give it a 49.5% stake in the CSeries business.

Quebecers might be wondering if they are buying into a black hole.

Numerous reports have surfaced that suggest Bombardier had to drop its price below cost to get the Delta deal. The company acknowledges it has been "aggressive" in its re-launch of the CSeries and is taking a \$500 million charge for the Delta deal and two others covering a total of 127 planes.

Bombardier says it is still on track to break even on the CSeries by 2020 or 2021, but concerns are emerging that any new customers will want to get the same deal as Delta.

### Should you buy?

The new orders are great news for Bombardier's employees, but the story for investors might turn out to be different. At this point, I would think twice before buying the stock.

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1. Editor's Choice

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