



Bombardier, Inc.: Is This Stock Preparing for Another Big Move?

Description

Bombardier, Inc. ([TSX:BBD.B](#)) is holding its gains after the big run since February, and investors are wondering if the stability over the past month is a sign of more upside to come.

Let's take a look at a few items that could put a new tailwind behind Bombardier's shares.

Air Canada confirmation

Air Canada launched the recovery in Bombardier's stock when it revealed plans to buy 45 CSeries jets. Before the announcement in February, Bombardier hadn't received a new order for the new jets since September 2014.

The CSeries project is more than \$2 billion over budget and two years behind schedule, so a contract with a major carrier was exactly what the market needed to bring some interest back into the stock.

Here's the kicker.

Air Canada only signed a letter of intent and has yet to firm up the order. Negotiations on the fine points are dragging along, and some investors are getting a bit nervous. At the beginning of April the companies were expected to have the details ironed out "within weeks."

If Air Canada firms up the order by the end of June the stock could surge as investors let out a sigh of relief.

Quebec aid confirmation

Bombardier's financial situation got to the point last year where it had to turn to the Quebec government for financial aid. The province stepped up with a commitment to provide US\$1 billion for a 49.5% stake in the CSeries program.

The financial support from Quebec is widely considered a key reason why **Delta Air Lines** recently ordered 75 CSeries planes.

Quebec hasn't actually handed over the US\$1 billion yet because the province is still negotiating the terms of its agreement with Bombardier. An announcement is expected by the end of this month, and when it comes the stock could find more support as investors see an additional piece of the recovery puzzle go into place.

CSeries delivery

The first CSeries is expected to be delivered to **Swiss International Air Lines** in the coming weeks.

The event will mark an important milestone for Bombardier and its investors because airlines generally don't pay for an aircraft until they take delivery. As a result, the delivery of the first jets to Swiss Air would mean Bombardier can finally start generating revenue on the troubled CSeires program.

Again, the wait has been so long for the plane to go into service that confirmation of a delivery would likely bring new investors into Bombardier's stock.

Risks

All of these events would be positive, but further delays or news of a major hiccup on one of the deals could send the stock plunging.

Bombardier is also facing serious challenges in the train division, and analysts are concerned the recent orders for the CSeries were signed below cost.

Should you buy today?

The stock could easily surge higher in the coming weeks, but Bombardier remains a risky bet and new investors should be careful getting in right now. I would stay on the sidelines, despite the expectation of good news in the coming days.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:BBD.B (Bombardier)

Category

1. Investing

Tags

1. Editor's Choice

Date

2025/10/01

Date Created

2016/06/21

Author

aswalker

default watermark

default watermark