



## Bombardier, Inc.: It's a Hard Stock to Understand

### Description

Regular readers of the Fool.ca are probably aware that Montreal-based **Bombardier, Inc.** ([TSX:BBD.B](#)) is a favourite topic of discussion on our website. Investors, it seems, can't get enough of the plane and train manufacturer.

With so many questions swirling around the company about its very survival, it's hard to understand how anyone except the purest of speculators could be interested in its stock. A close family member of mine owned Bombardier stock for years; all he has to show for it are capital losses.

And while I get the attraction of its low stock price—Bombardier closed trading August 17 at \$1.98—a \$10,000 investment in the company gets you 5,000 shares. Should the stock price go to zero, you'd lose \$10,000, or half that once the tax man is considered. But if the stock goes to double digits, say \$10, you'd be sitting on a \$40,000 bonanza.

It's an expensive version of Lotto Max.

There are 44 stocks on the TSX whose market caps are greater than \$1 billion and whose shares trade for less than \$10 just like Bombardier. I find it hard to believe that out of almost 50 companies, 17 of which pay a dividend, investors can't find a better way to blow \$10,000 than on a business that's perpetually being subsidized by every level of government.

Heck, I'd invest in **Air Canada** before Bombardier, and that's saying something because when it comes to corporate welfare, it's not much better.

Look, do yourself a favour and forget about all the good things happening at the company which include

- Air Canada's purchase agreement to buy 45 [CS300](#) planes with a potential 30 on top of that;
- Despite the problems in Toronto with streetcar replacement, Metrolinx signed a [\\$428 million](#) contract earlier in August to purchase 128 commuter rail cars for GO Transit;
- Despite Bombardier's problems, income investors can still secure a [9.2% yield](#) from its series 4 preferred shares;
- In June Bombardier finalized its \$1.3 billion bailout from the Quebec government, which bought

49.5% of the CSeries program; and

- Late in 201, Caisse du Depot & Placement, Quebec's pension fund, injected [\\$1.5 billion](#) of equity into the company in return for a 30% stake in the train division.

At the end of the day, it should be clear as mud that all of these talking points are distractions from the simple truth: Bombardier is and will always be a zombie company that should have been put out of its misery a decade ago.

If you don't agree with me, just ask the TTC about Bombardier's ability to deliver.

For me, it's a hard stock to understand. But hey, it's your money.

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1. Investing

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1. Editor's Choice

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1. TSX:BBD.B (Bombardier)

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