



Why Bombardier, Inc. Could Double in 2017

Description

There's no question that **Bombardier, Inc.** ([TSX:BBD.B](#)) has had an incredibly volatile past few years, but there might be some light at the end of the tunnel with Bombardier's train segment as well as its plane division. I believe a bottom has finally formed and good news could start coming in rapidly, as the stock pulls out of the gutter and starts soaring back to higher levels not seen in over a decade.

Investor pessimism has been at an all-time high, and, as Warren Buffett used to say, "Be greedy, when others are fearful." I believe the time to be greedy is now, and CSeries orders will start picking up momentum, as more airlines start taking notice.

There's no question that the CSeries project was close to bringing down the whole company. The Quebec government wouldn't let the business go under, so it invested \$1 billion into the company. I believe the hard times are over, and it might finally be time for investors to sit back and let the stock take off as deals start coming in from all over the place, which will be the main catalyst for the stock moving higher.

Plane deals may start picking up momentum in 2017

The pressure is slowly diminishing as Bombardier already surpassed its original goal of acquiring 300 orders for its CSeries planes. Both **Air Canada** and **Delta Airlines Inc.** have placed orders for the new jet, and we could very easily see these orders increase going into 2017.

Many impatient investors have already thrown in the towel with Bombardier, but to be an effective contrarian investor, one must be very patient. The CSeries was way behind schedule and way over budget, but these factors are already baked in to the current stock price. I believe that despite being late with delivering, the investment will not be lost; in fact, the investment could pay off very well for holders of the stock over the next few years.

Bombardier's management team made it public that the delay of the CSeries plane would cost them \$150 million in free cash flow for the year, but the goal of hitting break even by 2018 is still the main focus of management. There's a lot of debt, but if the orders start coming in, I'm fairly confident that the debt obligations can be paid off, and the company breaking even will happen by the 2018 target.

Rail deals could soon start going off the rails

Bombardier recently announced that a partnership with **Alstom SA** could soon be a reality. This deal would allow Bombardier to supply 270 commuter cars to Paris and is said to be worth about \$4.4 billion. If the deal goes through, we might see other contracts start coming from other cities; once one domino falls, the rest will shortly come after.

Bombardier is not a pick for the faint of heart, as volatility is pretty much guaranteed. But if you're an investor with a strong stomach, and if you believe that Bombardier can start turning around, then it might be time to pull the trigger, as 2017 could be a very positive year for Bombardier.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:BBD.B (Bombardier)

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Date

2025/10/01

Date Created

2016/11/03

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