



Could President Trump Cause a Bombardier, Inc. Crash Landing?

Description

It was recently revealed that **Bombardier, Inc.** ([TSX:BBD.B](#)) was on the brink of bankruptcy in 2015 according to the CEO Alain Bellemare. The company was close to declaring bankruptcy protection and was way over budget.

It's no mystery that the company has had huge financial issues, especially in 2015 due to its high cost structure. The Quebec government bailed the company out with a \$1 billion investment, and now Bombardier is finally starting to show its legs as we head into 2017.

The company slashed 7,500 jobs last month, which is about 10% of its workforce. The plane-development programs have also been reduced. It's clear that Bombardier has some serious management issues, and the company is taking a step back to get its finances under control.

President-elect Donald Trump is not a fan of foreign trades with the U.S. right now, as he believes America is getting ripped off and wants to negotiate new deals regarding international trade. It's too early to tell whether or not Donald Trump's new policies will hurt Bombardier or not, but one thing is known. Trump is a pro-business guy, and he's determined to do anything that favours the growth of the U.S. economy.

Investors should be aware that there could be new policies on trade, and there very well could be even more problems for Bombardier to deal with. CEO Alain Bellemare stated, "I don't see any short-term impact," regarding the Trump presidency and its effects on Bombardier. I don't believe Trump will have too negative of an impact on the company, as most of the issues are caused by the management team themselves.

The management team has a difficult time meeting deadlines and an even harder time staying on budget. If Bombardier can rebound next year, then the Quebec government can be thanked for saving them from bankruptcy.

Bombardier is still reporting losses, but the company hopes to break even in the next few years. In the company's last earnings report, it saw a net loss of \$10 million compared to \$2 million in profit during the same period last year. The company delivered 52 aircraft during the quarter, which was up from 43

during the same period last year.

Despite reporting a net loss, the company is steering in the right direction with regard to its margins. The operating margin was up, and this is definitely a sign that the company is making the moves to get the business back on track regarding budgeting. The margin improvement will need to be continuously improved going forward if the company is to stay on budget for future projects.

I like the direction the company is going, and I don't think Donald Trump will represent a big issue for the company. Any sell-offs going forward can be treated as buying opportunities for contrarian investors. There will be no crash landing as a result of Trump, but, if it does happen, it will be through the fault of management.

The stock will continue to be volatile as there are a ton of variables associated with the stock. If you're going to buy Bombardier, don't make it a core holding, because the stock is very risky right now and will continue to be for years.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:BBD.B (Bombardier)

Category

1. Investing

Date

2025/10/01

Date Created

2016/11/14

Author

joefrenette

default watermark

default watermark