



3 Important Takeaways From Bombardier, Inc.'s Annual Investor Day

Description

Bombardier, Inc. ([TSX:BBD.B](#)) hosted its annual Investor Day in New York City yesterday. It was a day filled with plenty of good news. Shares were up more than 2%, while the TSX Composite index was relatively flat.

Here are three important things from that day investors need to know.

Bullish for next year

CEO Alain Bellemare is bullish, telling investors that the company is poised to do well in 2017.

Bombardier largely maintained its previous guidance, forecasting earnings before interest and taxes to come in at a range between US\$530 million and US\$630 million for 2017 with revenue growth somewhere in the neighborhood of 2-4%.

Free cash flow is also expected to be up substantially, increasing to a range of between US\$750 million and US\$1 billion—an improvement of some US\$400 million.

Most of the earnings growth will come from previously announced restructuring activities, which primarily include nearly 15,000 job cuts. The company's cash level is expected to hit US\$4.5 billion by the end of fiscal 2017, which is a big relief to nervous creditors. It wasn't that long ago that investors were speculating Bombardier would run out of money.

Management also reiterated some of the company's longer-term goals, including breaking even on free cash flow in fiscal 2018 and hitting US\$25 billion in revenue in 2020. Bombardier is on track to hit approximately US\$17 billion in revenue this year, so that would represent some impressive growth. Pre-tax profits are expected to be US\$1.75 billion in 2020, which works out to more than \$1 per share when converted back to Canadian dollars.

That's impressive ... if management can pull it off.

Still looking for government cash

CEO Bellemare acknowledged the company is still looking for federal assistance, although it appears the request is far less urgent than it was a year ago.

“Obviously, things have changed a lot over the past 12 months, so the discussions are taking a different path,” he told investors. Remember, Bombardier and Ottawa were working towards an agreement before the company balked at the asking price.

Still, an extra US\$1 billion would be nice for Bombardier to have. It could use the cash towards its next project. Management is still deciding if that will be another commercial aircraft or if it'll go smaller and build a new business jet. There is demand for a larger CSeries plane.

Right now the company is focused on ramping up CSeries production.

Trump is good news

Bombardier believes it is poised to benefit directly from Donald's Trump's pro-business platform. The logic goes something like this.

If Trump cuts U.S. corporate tax rates from 35% to 15%, many companies will find themselves flush with cash. Some will choose to spend at least a portion of that money lavishly, like buying a company plane for the first time.

That's good news for Bombardier's business jet division.

Bombardier could also benefit from its strong manufacturing base in the United States. We don't know exactly how deep Trump's anti-trade policies may go, and these businesses may feel pressure to buy American, even if the profits do go back to Canada. Trump is all about jobs; he doesn't seem to care that much about who owns the factory.

The bottom line

Bombardier's management deserves a ton of credit. A year ago, it looked like bankruptcy was a very real possibility. The company has cut costs, finally started delivering CSeries planes to customers, and essentially stopped the cash burn. This is great news.

Now it needs to keep executing. Guidance looks good. Now management has to deliver. They must prove that excuses and delays are in the past. If the company can do that, I like its chances to rally in 2017.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:BBD.B (Bombardier)

Category

1. Investing

Date

2025/07/07

Date Created

2016/12/17

Author

nelsonpsmith

default watermark

default watermark