



## Bombardier, Inc.: How High Could This Stock Go?

### Description

**Bombardier, Inc.** ([TSX:BBD.B](#)) is up 28% in 2017, and investors who missed the huge run are wondering if more gains could be on the way.

Let's take a look at the current situation to see if the plane and train maker finally deserves to be in your portfolio.

### Big rally

A year ago, it looked like Bombardier was headed for a crash landing.

The company's stock fell below \$1 per share in early February amid fears that a lack of new orders for the troubled CSeries jets and US\$9 billion in debt were signaling the end of the road for existing shareholders.

Add to that a cash-burn rate that would make your head spin, and the situations simply appeared too dire to hope for a recovery.

Then things began to turn around.

Bombardier secured new CSeries orders from **Air Canada**, **Delta Air Lines**, and **Air Baltic**.

In addition, the company finally delivered the first CSeries jets to customers, marking a milestone for the company and, more importantly, triggering some much-needed revenue generation.

Throw in a couple of large rail orders, and you get a situation where investors are starting to believe again.

At the time of writing, Bombardier trades for \$2.75 per share — more than triple the low from a year ago.

### Are more gains on the way?

Despite the huge rally in the past two weeks, I wouldn't be surprised if the stock moves above \$3 per share in the coming months, especially if the company announces another significant CSeries deal.

Having said that, I would be careful chasing the rally at this level.

The company is still burning through cash and carries a scary debt load. Bombardier recently replaced notes that were coming due with more expensive debt, so the market isn't convinced the company is out of the woods yet.

Margins are also going to come into focus soon. Bombardier took an "onerous" US\$490 million charge in Q2 2016 on the 127 CSeries planes it sold in the first half of the year.

Those deals probably saved the company, so it is tough to argue against the significant discounts, but new orders will have to come in at better pricing. The company says the CSeries program is still on track to break even in 2020, so we'll see what happens in the next three years.

If you have a contrarian investing style and like the company's chances, a small position might be warranted on a pullback. At this point, however, I think the recent run is a bit overdone and would avoid buying the stock.

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. TSX:BBD.B (Bombardier)

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