



Bombardier, Inc.: Time to Take Profits and Run

Description

Bombardier, Inc. ([TSX:BBD.B](#)) enjoyed a nice rally over the last year, but the stock looks to be taking a downward turn. If you jumped on Bombardier sometime last year, then it might be a good idea to take profits off the table before the stock starts descending back to reality. There are too many issues to even think about a rebound right now. Once there are any signs of improvement, then it may be time to get back into the stock, but as of right now, an investment would be pure speculation, and you could easily lose your shirt in a hurry.

There's a lot of debt, and the management team's inability to deliver won't help the government gain any confidence in the recent controversial loan of \$372.5 million over the next four years. The company has over US\$8.7 billion worth of long-term debt, and it's expected that the company will be going through an estimated \$750 million for its CSeries project. Seeing as the management team is incapable of sticking to a budget, it's very likely that \$1 billion or more may end up being spent.

The company recently reported a very underwhelming Q4 2016; revenue and profit fell off a cliff. The commercial airline division was the lone positive of what was a disastrous quarter for almost every part of the business.

Bombardier can't seem to meet deadlines, and it has lost potential clients because of its inability to estimate completion times. It's very likely that Metrolinx will cancel its initial order of 182 rail cars and take its business elsewhere because it's becoming clear to everyone that Bombardier is an unreliable company with a history of delivering extremely late and way over budget.

There's no question that Bombardier's reputation has been tarnished, and this is a shame because that could affect the number of contracts the company will get in the future. As Warren Buffett once said, "It takes 20 years to build a reputation and five minutes to ruin it."

Aaron Wudrick, federal director of the Canadian Taxpayers Federation, is not a fan of the government's recent loan to Bombardier. It's clear he has no confidence in the company; he tried to get the government to reject Bombardier's initial request for a \$1.3 billion loan, which was later reduced to \$372.5 million. Mr. Wudrick stated, "... we're sad to see that the government, in our view, is wasting

\$372 million, but it's certainly better than wasting \$1.3 billion."

Mr. Wudrick and many other pundits believe that any money going towards Bombardier is a complete waste, and I think he's right on the money. I would avoid Bombardier like the plague.

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