



## Bombardier, Inc.: At What Point Is This Stock Attractive?

### Description

**Bombardier, Inc.** ([TSX:BBD.B](#)) is down about 20% in the past month, and investors are wondering if the stock is finally a buy.

Let's take a look at the current situation to see if Bombardier should be in your portfolio.

### Recovery mode

Early last year, Bombardier looked like it was in big trouble. The company hadn't signed a new order for its struggling CSeries jets since September 2014, as falling oil prices made it harder for the company to convince buyers to fork out the cash for the fuel-efficient planes.

Airlines were leasing or buying older jets instead.

Quebec and the province's pension fund committed to invest US\$2.5 billion in Bombardier to help it get through the difficult times, but the market still thought the business wasn't going to make it, and the stock continued to slide.

With the clock ticking, **Air Canada** came to the rescue with a large CSeries order. The was followed by an even bigger deal with **Delta Air Lines** a few months later, and all of a sudden, the CSeries order book was in great shape.

Short sellers covered their positions, and Bombardier's stock moved from below \$1 per share in February to \$2 in May.

Bombardier then delivered its first CSeries in the summer and managed to get seven of the jets into the hands of customers by the end of the year.

In 2017, the company expects to deliver at least 30 CSeries planes. This is important, because it means the program is finally starting to generate revenue.

## Concerns

The stock topped \$2.70 per share in January, but it's now back down to \$2.10, as investors once again focus on some of the lingering issues.

Bombardier continues to carry significant debt, and rising interest rates in the U.S. could make refinancing more expensive in the coming years.

Revenue has finally started to come in from the CSeries sales, but Bombardier still expects to burn through at least \$750 million in 2017.

Management hopes to secure another big CSeries order this year. That would provide an added boost in confidence for the prospects of the new planes, but investors will want to see a deal done at better pricing.

In Q2 2016, Bombardier booked a US\$500 million "onerous" charge against the planes it sold in the first half of the year.

Bombardier's other divisions are also facing some challenges. Demand for business jets remains weak, and the rail division is having a tough time meeting delivery obligations on some contracts, including a streetcar order for Toronto and a light-rail transit deal with Metrolinx.

## Should you buy?

The company is making progress on its turnaround efforts, but significant work lies ahead.

At the current price, contrarian investors who like Bombardier's long-term prospects might want to add the stock to their watch lists, but I wouldn't buy until the latest pullback runs its course.

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