



Bombardier, Inc. Is a Speculative Gamble

Description

Bombardier, Inc. ([TSX:BBD.B](#)) is now down 25% from its peak earlier this year. The stock is starting to gather negative momentum again because investors are starting to realize the potential reward may not be worth it after all. There are a lot of issues right now, and I don't think the stock is investable until the management team starts showing signs of improvement.

The company is drowning in US\$8.7 billion worth of debt, which is expected to grow even larger as the company continues to spend \$750 million more for its CSeries project. Given that the management team is incapable of estimating a budget, the actual amount of spending on the CSeries could be much higher than the \$750 million.

I don't know about you, but I don't want to own shares of a company that is burning through loads of cash. The government is starting to put its foot down regarding the loans it gives to Bombardier because many experts believe that a loan to Bombardier is a "waste."

Bombardier just can't meet its deadlines, and that's going to scare away a large chunk of potential clients. Prospective clients already know that many of Bombardier's previous clients have walked away from deals because of the endless delays. The management team seems to think there will be more than enough clients making orders over the next few years, but what good is that if they can't actually deliver them?

The company's reputation has taken a huge hit, and it's going to take a ton of successful deliveries to repair it.

If Bombardier is going to turn around, then the management team has got to get their act together. There's little room for error at this point, as the government won't be throwing huge amounts of cash at Bombardier going forward. Bombardier's initial request was for a \$1.3 billion loan, and that was greatly reduced to \$372.5 million. Even this reduced loan was controversial, as many experts, including the federal director of the Canadian Taxpayers Federation, were against giving Bombardier any amount of money.

The management team needs to use its remaining cash efficiently if it's going to get the CSeries

project flying; otherwise, the stock could be headed further into the abyss. Sure, there may be more orders on the way, but can Bombardier actually hold up its end of the deal? If it can, the stock will skyrocket. If it can't, expect much more downside.

It's not just the CSeries jet project that's under pressure. The train division is also looking underwhelming; rail revenue decreased 3.4% in 2016 compared to the year prior. Bombardier has failed to meet deadlines in this segment as well, and that has resulted in one of its promising clients, Metrolinx, pulling out of a deal to purchase up to 182 light-rail cars.

I would stick on the sidelines for now, at least until a positive catalyst presents itself. The stock is a gamble right now, so I'd be very cautious if you're thinking about buying on the dip.

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