



Bombardier, Inc. Is Facing Questions Ahead of its Quarterly Results

Description

On Friday, it was revealed that **Bombardier, Inc.** ([TSX:BBD.B](#)) and German automation conglomerate **Siemens** are close to a deal that would combine rail operations.

With the Canadian aerospace and transportation multinational company set to release earnings on Friday, July 28, should investors be looking to add Bombardier to their portfolios?

Legal disputes are weighing Bombardier down

Metrolinx, a crown agency that is responsible for the management of Presto, the electronic fare system used in public transportation systems in the Greater Toronto Area and Hamilton, opted out of a legal battle with Bombardier. The agency decided not to appeal a ruling against their attempt to block a \$770 million contract with Bombardier.

In February, the Brazilian government issued a complaint with the World Trade Organization with regards to subsidies provided by the Canadian government. Brazil contested that Bombardier had been given an unfair advantage with the injection of cash crucial to the development of Bombardier's CSeries and Global 7000 aircraft program.

Boeing Co. further contributed to Bombardier's legal worries in April, when the American multinational petitioned the U.S. International Trade Commission to investigate Bombardier's pricing tactics. Bombardier could now find itself in the crosshairs of ignited protectionist inclinations among U.S. companies. A decision is expected to come from the Department of Commerce in September, but analysts expect Bombardier's leadership to delay the process as long as possible.

NAFTA renegotiations are set to begin mid-August, and they have the potential to thrust this dispute into the spotlight. Experts expect the meetings to be long; an agreement probably will not be reached until well into 2018.

Volatility has been a constant throughout 2017

Bombardier entered 2017 with optimism after the Canadian government promised a \$1 billion bailout.

After reaching an all-time high of \$2.76 in January, the stock price at one point dipped below the \$2 mark in March before staging a rally in late spring.

The company has not turned a profit since 2013. Bombardier released what was billed a positive Q1 2017 earnings report. In it, revenue declined 9% from Q1 2016. Bombardier is \$8.7 billion in debt, and the company is reliant on the performance of the Global 7000/8000 and CSeries aircraft programs to meet obligations. Bombardier has \$800 million worth of debt maturing in 2019, but new leadership has promised to break even on cash flow by next year.

Bombardier's share price was static for most of the trading day Friday, before experiencing a decline in the late afternoon. It closed at \$2.35 — down 1.67% going into the weekend.

Should you buy Bombardier stock?

Management has expressed confidence that it will be able to turn around its troubled financials. The company is going to be under intense pressure to come through on its Global 7000 luxury jet.

The problem is, a lot needs to go right for Bombardier to overcome the financial issues facing it. Intensified disputes from international competitors could easily put further downward pressure on the share price.

It may be wise for investors to adopt a “wait-and-see” approach to Bombardier before putting their faith in the comeback story.

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