



## Bombardier, Inc. Posts Surprising Results

### Description

**Bombardier, Inc.** ([TSX:BBD.B](#)) recently did something that nobody expected — the company finally broke even and registered a small gain in the most recent quarterly update. Granted, that breakeven point and small profit were reached on an adjusted basis, but the plane and train manufacturer managed to turn another corner in what is becoming a very difficult turnaround.

#### Quarterly results: a one off, or sign of better times?

In the most recent quarter, Bombardier reported a net loss of US\$296 million, or US\$0.13 per share. That's an improvement over the dismal US\$490 million, or US\$0.24 per share, loss reported in the same quarter last year.

Revenues fell by 5% in the quarter, coming in at US\$4.09 billion, while Bombardier went through US\$570 million in cash in the quarter,

On an adjusted basis, Bombardier managed to report net income of US\$39 million, or US\$0.02 per share, outperforming the US\$89 million, or US\$0.06 per share, loss in the same quarter last year.

Analysts were calling for Bombardier to report a loss of US\$0.01 per share.

#### What's next for Bombardier?

There have been several differing views by experts and skeptics for Bombardier's next moves in terms of the turnaround.

The recent success of the CSeries has prompted calls for Bombardier to pursue a bigger variant of the CS300 jet which would have many of the same technological and fuel-saving enhancements that made the CSeries so popular.

Bombardier hasn't dismissed expanding the CSeries family altogether, but considering that CSeries orders are several years, if not a decade away, from breaking even, Bombardier won't be expanding that operation anytime soon.

Bombardier is on track to deliver 30 new CSeries jets this year.

The rail division is another segment of the company that is continuing to draw the interest of analysts. Consolidation in the rail industry is increasingly becoming a common avenue for companies to use for expansion, particularly as competitors such as China-based CRRC continue to increase their influence.

CEO Alain Bellemare hinted at this recently, noting that Bombardier has been examining strategic options for the rail unit, leveraging efficiency, scaling and technology advancements that could mean a joint venture with another company is in the works.

That other company could be Germany-based **Siemens**. Bombardier has been rumoured to be in talks with Siemens since April, with the goal of those talks being the creation of two joint ventures comprising the signaling and rolling stocks of both companies. The combined sales of such a deal would be upwards of US\$16 billion.

### **Is Bombardier a good investment?**

Bombardier's stock price has surged 6% since announcing the better-than-expected results. Long-time critics of the company have been writing Bombardier's eulogy for years, and those criticisms have been valid. Had it not been for a series of investments from various levels of government and the perfectly timed CSeries purchases from several airlines, Bombardier would be in a very different position today.

Instead, Bombardier is beginning to stand on a more stable footing, and those same critics are beginning to see opportunity unfold.

Bombardier still has a long way to go; the constant delays in dealing with multi-billion-dollar projects with both Toronto Transit and Metrolinx may still end up in court and cost Bombardier. Similarly, CSeries orders are beginning to ramp up, and Bombardier needs to prove to its customers and itself that it can finally make good on scheduled delivery commitments.

Bombardier is, in my opinion, becoming an intriguing option that has plenty of upside over the long term, but for the moment, there are far better, safer investments for investors to choose from.

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