



Is the Time Right to Get Bullish on Bombardier, Inc. Stock?

Description

Bombardier, Inc. ([TSX:BBD.B](#)) stock gets a lot of press, but a lot of bad press.

As the Montreal-based plane and train manufacturer struggles to turn around its business and fix its production issues, its stock has been quietly surging without getting too much attention from the business press.

After rising almost 22% this year, Bombardier stock has massively outperformed **S&P/TSX Composite Index**, which is down 1.4% during this time.

Still considered by many as a highly speculative play, Bombardier stock's encouraging performance raises this important question: Is Bombardier in the midst of a meaningful turnaround that will restore investors' faith and propel further gains in its share price?

The early signs suggest that Chief Executive Officer Alain Bellemare is delivering on the five-year turnaround plan.

Positive surprise

The most recent update on the company's financial performance came from the second-quarter earnings report which surprised many analysts.

The company said it made \$39 million, or \$0.02 a share, in adjusted profit in the three months to June. That compares with a loss of \$83 million, or \$0.06 a share, in the same period a year ago.

This was against the analysts' consensus estimate of \$0.01 a share loss for the quarter.

Further brightening the outlook, Bombardier said that now it expects to meet the top end of its earnings before interest and taxes forecast for the full year. That forecast range is between US\$580 million and US\$630 million.

"We continue to make solid progress executing our five-year turnaround plan," Bellemare said in a

press statement. “We are improving our operating margins, transforming our operations and executing on our growth programs, which will allow us to deliver long-term sustainable value to our customers and shareholders.”

So, where we go from here?

There is no doubt that Bombardier is a risky turnaround story. But what I’m noticing is that more and more analysts have started to get bullish on this beaten-down stock.

In May, for example, **Bank of Montreal** analyst Fadi Chamoun raised his rating on Bombardier from “perform” to “outperform,” predicting that its stock could reach \$5 by 2020. The stock currently trades around \$2.62. Chamoun’s bet hinges on the optimism that the current restructuring efforts will bear fruit and improve the bottom line.

More recently, **Raymond James** equity analyst Steve Hansen raised his 12-month price target to \$3.25, which is a 20% upside potential from Bombardier stock’s current price. He also upgraded his recommendation to “buy.”

Bottom line

For long-term buy-and-hold investors, Bombardier stock presents an interesting opportunity amid some positive signs on its transformation plan.

With the accelerating deliveries of its flagship CSeries narrow-body jet, and amid speculations that the company is mulling to combine Bombardier Transportation with the **Siemens AG** rail division, I see a further upside in its share price from here.

Investors with some extra cash to bet on turnaround stories may benefit from this positive momentum.

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