



## Bombardier, Inc.: Could the Stock Price Hit \$5 by 2018?

### Description

**Bombardier, Inc.** ([TSX:BBD.B](#)) continues to make progress on its turnaround efforts, and investors are wondering if it is finally safe to buy the stock.

### Back from the brink

Bombardier's share price has been on a general uptrend since February last year after it dipped below \$1 amid concerns the plane and train maker was headed for bankruptcy.

The company hadn't sold a CSeries jet since September 2014, and investors were afraid the cash burn in the troubled division would sink the business.

With the clock ticking, Bombardier managed to secure large CSeries orders with Air Canada and Delta Air Lines that probably saved the company. The stock subsequently rallied to \$2 and, aside from a dip last fall, has remained above that level.

At the time of writing, Bombardier trades for \$2.60 per share.

### Making progress

Bombardier hasn't secured a new order for the CSeries for about a year, but the company is confident more deals are on the way now that the first planes have been in service for a year and are performing very well.

One hang-up on getting new orders could be the fact that Bombardier had to drop its price significantly to secure the large deals last year, and other airlines might be resisting the company's attempts to sell the planes at better prices.

Nonetheless, Bombardier reported better than expected results for Q2 2017.

CSeries deliveries appear to be on track to hit the 30-plane target for the year, and the new management team is starting to gain the confidence of the market.

The company is still burning through a lot of cash, but the infusions it received from Quebec and the province's pension plan last year shored up the balance sheet enough to enable the company to work through the near-term part of its recovery.

### **Ready to soar?**

A breakout through \$3 and beyond would likely require the announcement of a new major CSeries order at a price point that is profitable.

If Bombardier can secure a couple of big deals in the coming months, investors might begin to fly back into the stock again, and the shares could potentially take a run at \$4 or even \$5 on some overheated enthusiasm.

At this point, I think that would be a bit of a stretch in the coming months, but it's not unreasonable in the next year or two.

### **Should you buy?**

Bombardier is in better shape than it was early last year, but the company is still dealing with challenges on the rail side of the business, and until it can sell the CSeries in big numbers at decent prices, the stock is not likely to move much higher.

If you like the story, it might be worthwhile to start nibbling, but I wouldn't back up the truck.

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**Author**  
aswalker

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