



Will Bombardier, Inc.'s Share Price Finally Take Off?

Description

Bombardier, Inc. ([TSX:BBD.B](#)) is a manufacturer of trains and planes. It operates through four segments: Business Aircraft, Commercial Aircraft, Aerostructures and Engineering Services, and Transportation.

Bombardier is trying hard to improve its finances since nearly facing bankruptcy two years ago, and it's showing in its 2017 second-quarter results, which were released at the end of last month.

Strengthening of balance sheet

The manufacturer of aircraft and trains, which keeps its books in U.S. dollars, saw its revenue for the quarter ended June 30 slip to US\$4.09 billion from US\$4.31 billion a year ago. This fall of 5% in revenue was caused by a lower production of business aircraft.

Bombardier lost US\$296 million, or US\$0.13 per share, in its second quarter, an improvement from its loss of US\$490 million, or US\$0.24 per share, in the same period a year ago.

Adjusted earnings were US\$39 million, or US\$0.02 per share, its highest in two years. That compares with a loss of US\$83 million, or US\$0.06 per share, a year ago.

The adjusted profit came as a surprise to analysts, who were expecting a loss of about US\$0.01 per share, according to **Reuters**.

The company expects to hit the top of its full-year guidance, which is now between US\$580 million and US\$630 million in earnings before interest and taxes.

Bombardier has made thousands of layoffs all around the world, as a result of the implementation of its cost-cutting plan.

It has received funding from Canada and Quebec governments as well as an investment from Quebec's pension fund manager, CDPQ, for its CSeries passenger jet program.

More CSeries sales to come

During the quarter, Bombardier delivered six CSeries planes, bringing the total number in service to 16. It expects to ship about 30 planes this year.

Bombardier has held back CSeries sales because airlines are examining how the 100- to 150-seat planes can be used on routes that best accommodate that number of passengers compared to smaller regional jets or larger planes like Boeing 737s or Airbus A320s.

Trade dispute with Boeing

Bombardier is currently facing a trade dispute with **Boeing Co.** ([NYSE:BA](#)). Boeing is accusing Bombardier of selling CSeries planes in the U.S. below cost because of subsidies that violate trade rules. Bombardier has denied the accusations.

If Boeing wins this dispute, that could have a material adverse impact on the CSeries program. But there is no effect so far on discussions with potential customers, according to Bombardier's CEO Allain Bellemare.

A few days ago, we learned that **Delta Air Lines Inc.** ([NYSE:DAL](#)) was coming to Bombardier's defence in the Boeing dispute. Delta believes the investigation should be limited to larger planes and asked the U.S. Department of Commerce to redefine scope of Boeing/Bombardier case.

Bombardier's monorails in Thailand

Bombardier has entered two contracts to equip the city of Bangkok with an Innovia Monorail 300 system on the Pink and Yellow lines of the Bangkok transit system.

The company will design and supply the mechanical and electrical elements for the two lines, which are currently under construction in Bangkok.

Bombardier will deliver 72 four-car Innovia Monorail 300 trains — 288 vehicles in total.

What should you do with Bombardier's stock?

Bombardier has just begun to get back on its feet after many years of financial turbulence. Its share price is up more than 20% over the year to date and should continue to go up.

The stock is very volatile though, and I would say it's a risky investment suited for investors who have nerves of steel. So, I think it's a moderate buy for the moment.

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sbchateauneuf

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