



## 4 Reasons to Stay Away From Bombardier, Inc.

### Description

**Bombardier, Inc.** ([TSX:BBD.B](#)) is making a name for itself, and not in a good way. The plane and train manufacturer is a household name in Canada and has had a lot of negative press this year, such as when the public discovered the company, which received government aid and cut thousands of jobs, had given its executives raises of almost 50%.

I am not a fan of the stock, and there are four big reasons you shouldn't be either.

#### **The company is continuously looking for government assistance**

In early 2017, the Canadian government agreed to provide Bombardier with \$372.5 million in interest-free loans. The Quebec government also invested \$1 billion in the company's troubled CSeries division last year, which had been very late on orders and over budget by over \$2 billion.

A company that needs assistance of this magnitude multiple times is a sign of big problems and suggests that Bombardier needs the government to stay afloat.

#### **Its reputation is so poor, it is losing sales**

Recently the New York Metropolitan Transportation Authority announced that it will not even consider Bombardier's bid on its subway cars because of the company's poor reputation and history of being late on delivery. The contract to build the subway cars is estimated to be worth as much as US\$3.2 billion.

Metrolinx, the provincial transit agency in Ontario, wanted to cancel a \$770 million contract with Bombardier because of issues it had run into related to manufacturing and the quality of the light-rail vehicles the manufacturer was supposed to build. Ultimately, a judge blocked the cancellation; however, Metrolinx has said it will not allow Bombardier to bid on the operation of its GO Transit trains, which the company has operated for decades. The operating contract will mean a loss of about \$100 million in revenue for Bombardier.

If a company's poor reputation is so bad that it has spread beyond its domestic borders, then you know

the issue is significant. It is difficult to see at this point how Bombardier can redeem itself and fix its reputation. If it can't secure new contracts and is even losing existing ones, there is little hope that the company will be able to grow.

### **Bombardier hasn't turned a profit for three consecutive years**

The last time the company turned a profit was in 2013, when it posted a net income of \$564 million. In the three fiscal years since, Bombardier has totaled losses of over \$7.6 billion. The company is also not changing that trend anytime soon, as the last five quarters have also seen the company's bottom line in the red.

### **The company has negative equity and almost \$9 billion in debt**

In its most recent quarter, the company's equity was \$5.7 billion in the red, with an accumulated deficit of over \$8.1 billion. Bombardier's total debt currently sits at \$8.8 billion, although that has actually declined from a year ago, when it was almost \$9 billion.

### **Bottom line**

The only positive to pull from this stock is that it has yielded returns of about 13% year-to-date, but without any solid growth prospects or even profitability, it's a stock purely for speculators.

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