



Bombardier, Inc.: Is This the Right Time to Buy?

Description

Bombardier, Inc. ([TSX:BBD.B](#)) is making progress on its turnaround plan, and investors are wondering if the time has come to start a position in the stock.

Let's take a look at Canada's plane and train maker to see if it deserves to be in your portfolio.

CSeries

Bombardier's CSeries program hasn't rolled off the line as planned.

The company ran into extensive delays and painful cost overruns to the point where it required large cash infusions from the Quebec government and the province's pension plan.

Despite the commitments of US\$2.5 billion, Bombardier's stock price continued to slide, falling below \$1 per share in early 2016.

At the peak of investor pessimism about the company's future, Bombardier signed a large CSeries deal with **Air Canada** and then another with **Delta Air Lines**.

The stock recovered to \$2 per share on the agreements and has traded above that level for most of this year.

Bombardier delivered seven CSeries planes in 2016 and is targeting 30 deliveries by the end of 2017. Hitting that target would likely provide added investor confidence as well as aid the company's efforts to sell more of the new jets.

Risks

Bombardier is in better shape than it was last year, but the company still faces some challenges.

A trade dispute launched by **Boeing Co.** is causing some investor concern. The American plane maker claims the CSeries deal with Delta was done at an unfair discount that was subsidized by Quebec.

The U.S. Department of Commerce is expected to make a ruling on the case in the coming weeks, and it could decide to impose tariffs on Bombardier.

Bombardier's rail division is also working its way through some tough times, including delays on streetcar and light-rail orders in Ontario, and increased global competition from a Chinese state-owned train maker.

The city of Toronto is upset that Bombardier has not delivered a large streetcar order as agreed. The city was supposed to have received about 100 of the 204 new vehicles by the end of last year, but an August report says less than 50 are currently in service.

Bombardier says it still plans to meet the original 2019 deadline for all of the vehicles.

The company is also out of favour with Metrolinx, the provincial firm that operates the light-rail services in the GTA. Earlier this year, Metrolinx failed in its effort to cancel a \$770 million light-rail vehicle deal with Bombardier.

Should you buy?

The stock currently trades at \$2.40 per share, which is down from its 2017 high of about \$2.75.

If the situation with Boeing gets resolved, Bombardier's share price could get a nice boost, but the downside risk of a negative decision from the U.S. Department of Commerce could be significant.

At this point, I would look for other opportunities.

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