



Bombardier, Inc.: Buy the Dip or Bail Out?

Description

Bombardier, Inc. (TSX:BBD) is down significantly in the past month amid concerns over a CSeries trade dispute and ongoing challenges for the rail division.

Investors who'd watched the stock triple off the 2016 lows are wondering if the pullback is an opportunity to buy or a signal to step aside and wait for a better entry point.

Let's take a look at the current situation to see if Bombardier deserves to be in your portfolio.

Boeing suit

Bombardier's latest troubles are connected to a trade challenge filed by **Boeing Co.** ([NYSE:BA](#)) against the Canadian plane maker.

The U.S. giant is of the opinion that Bombardier won its major CSeries deal with **Delta Air Lines** last year by using government subsidies to drop its price below the cost of making the planes.

The case is under consideration by the U.S. Commerce Department, which is expected to make an announcement this week on whether or not it will impose duties on Bombardier.

Canada and the U.K. are ramping up pressure on both Boeing and President Trump to put an end to the situation. Bombardier has important operations in Northern Ireland, where the wings of the CSeries planes are assembled.

People who support Bombardier say Boeing doesn't have a case, as it was not involved in the bidding for the Delta contract, and therefore didn't suffer any losses from the deal.

In fact, Boeing doesn't even compete in that plane category.

Some industry analysts, however, have said Bombardier could get hit with duties as a result of the complaint.

Other issues

Bombardier hasn't secured a large CSeries order since the Delta deal, and there is a concern that airlines don't want to pay up for the new planes.

In addition, Bombardier's rail group continues to struggle with delays on streetcar and light rail orders for Toronto and the GTA. The troubles have had an impact on other deals, and the group faces global competition challenges from a Chinese state-owned competitor, which outbid Bombardier on contracts in Boston and Chicago in recent years.

In late August, a report came out that said Bombardier is not being considered as a finalist in the bidding for a New York City subway contract that is estimated at more than US\$3 billion.

Should you buy?

The Boeing situation is just one more distraction for management at a critical time in the company's turnaround efforts. Investors should probably steer clear of the stock until the whole trade dispute issue is sorted out.

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