



Bombardier, Inc. Slapped With “Absurd” ~220% Duty: Time to Sell?

Description

Bombardier, Inc. ([TSX:BBD.B](#)) shares are not for the faint of heart. The stock has been a roller-coaster ride all year and it looks like the ups and downs could become even steeper from here as more details emerge from its dispute with **Boeing Co.** ([NYSE:BA](#)), which alleges that Bombardier is dumping its CSeries jets into the U.S. market at well below market value.

The U.S. Department of Commerce announced on Tuesday its preliminary decision to slap on a countervailing duty of ~220% on CSeries planes that are imported into the U.S. The department sided with Boeing in the dispute, citing that Bombardier is receiving improper subsidies from the government of Canada.

An “absurd” move makes it even harder to own shares

Bombardier responded by stating that the “magnitude of the proposed duty was absurd” and “divorced from the reality about the financing of multi-billion-dollar aircraft programs.” Bombardier can expect to pay such duties once it delivers the first of its CSeries 100 jets next year.

There’s no question that the magnitude of the proposed duty is “absurd,” and I think such a move would make the government of Canada think twice the next time it decides to give Bombardier another massive loan. There was already a tonne of backlash after the last loan, which many pundits deemed a “waste.” With such ridiculous duties, the Canadian government might as well just hand over the cash to our neighbours south of the border.

The series of unfortunate events continues...

It seems like a non-stop series of unfortunate events for Bombardier, and more of the same is likely on the horizon. Many negative headlines have been released of late including [accusations of bribery](#), which I believe is just one of many reasons why the average Canadian investor should avoid shares of BBD.B like the plague.

Not only is Bombardier not acting with ethics in mind, but it also has shown many times in the past that it's incompetent when it comes to estimating deadlines or sticking to a budget.

I think the government of Canada has reached a point where it's gambling the cash of taxpayers on a speculative investment that may not pay off. To make matters worse, the issues and incompetency of Bombardier have been made very public, and this is slowly destroying the company's credibility and reputation.

Bottom line

The list of reasons to sell Bombardier is growing; however, Desjardins Securities analyst Benoit Poirier is bullish on the company and thinks any further signs of weakness are a fantastic entry point for long-term thinkers. Mr. Poirier believes in Bombardier's 2020 plan and thinks that shares of BBD.B could more than double to \$5 per share before 2020.

Sure, there's the potential for huge rewards with Bombardier, but frankly, I don't think it's worth the astronomical amount of risk that you'd be taking, as shares could easily drop back to the \$1 levels if unfortunate events keep happening, which I suspect they will.

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Date

2025/07/06

Date Created

2017/09/27

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