



## Buyer Beware: Speculating on Bombardier, Inc.?

### Description

The definition of speculation is, “the forming of a theory or conjecture without firm evidence.”

The nature of a speculative investment is one in which an investor risks a sum of money with the potential of big reward but also the real and present danger of big losses.

This to me does not describe an investment. It describes a gamble. When the future health of a company, and therefore its stock, relies on a hope and a wish for good fortune when all evidence points the other way, I think investors should look the other way.

In the case of **Bombardier, Inc.** ([TSX:BBD.B](#)), the evidence at this time certainly suggests that investors should avoid the stock altogether. After years of its projects going overbudget and taking longer to complete than expected, investing in this company would certainly require a leap of faith.

Bombardier has long struggled with cost overruns and delays in its CSeries programs and in its transportation projects, and today it is faced with a new struggle as the U.S. imposes a 219% duty on the sale of its jets.

Furthermore, bribery, collusion, and all-around nastiness has tarnished the once respected technological leader in the aerospace and transportation industries.

I like investments where the odds are stacked with me, not against me. I mean, all investments have risk, but I like to stack the odds in my favour.

So, I would rather miss out on the chance of Bombardier’s potential returns if that means I avoid the risk of big losses. There are other investments out there with better risk/reward relationships.

And yes, I am aware that things can and do change. People and companies improve, and what was once a dog can become a star again.

I mean, I remember the good, old days for Bombardier. When the company was the darling of Bay Street and the stock hit highs of \$25 as the regional jet market was booming, the company’s

transportation business was making headway, and financial results were stellar.

But much has changed since then. Billions of dollars have been wasted, reputations have been ruined, and divestitures have been made to keep the company afloat. Not to mention the highly contested government subsidies and loans. Liquidity is a problem, and the balance sheet is racked with debt.

Trading at just over \$2, Bombardier has certainly fallen from grace. The money raised in 2016 is helping to fund aggressive capital spending on the CSeries program in 2017, but we have yet to see significant orders. So, it's all still very unclear.

I would prefer to sit on the sidelines and wait for things to settle one way or the other for more visibility.

## **CATEGORY**

1. Investing

## **TICKERS GLOBAL**

1. TSX:BBD.B (Bombardier)

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1. Investing

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