



## Bombardier, Inc.'s Q3 Results Confirm the Stock Is a Perennial Loser

### Description

**Bombardier, Inc.** ([TSX:BBD.B](#)) released its third-quarter results last week, which saw the company fall deeper in the red. With a net loss of \$117 million, the company's loss was 24% higher than it was a year ago. However, revenues of \$3.8 billion were up 3% from last year.

Bombardier has been in many headlines the past several weeks. Let's see if the stock is a good buy amid its recent financials and the changes the company has undergone.

### Tax expense sends improved quarter into the negative

The company's pre-tax loss of \$46 million was less than the \$118 million loss it incurred a year ago. However, tax expenses of \$71 million sent the loss even further down, while last year's income tax recovery had the opposite impact. However, with an EBIT margin of just 3%, it's difficult for Bombardier to post a profit without reducing its debt load or finding a way to minimize its taxes.

As a result, the company has struggled to turn a profit and is one of the reasons I would [stay away from the stock](#).

### Transportation drove sales increase

Revenue from transportation totaled \$2.1 billion and was up 20% year over year and was the most improved segment in Q3. Aerostructures and engineering services were up 2%, while both commercial and business aircraft revenues declined, with the latter seeing sales drop 17%.

If we look at EBIT among the different segments, then we see improvements across the board. Commercial aircraft, the only segment with a negative EBIT, posted a loss of \$95 million, which was less than the \$107 million loss it recorded a year ago. Aerostructures and engineering services saw EBIT grow by \$18 million and nearly doubled last year's tally of \$20 million. Business aircraft had a strong 11% increase, and while transportation had the largest sales growth, its EBIT increased by just 3%.

## Partnership with Airbus expected to double the value of CSeries program

In October, Bombardier made an agreement with Airbus to partner together in the development of its CSeries jets. [This deal didn't look great from the start](#) (since Bombardier gets \$0 in cash), and given that the company was recently told its jets imported into the U.S. would be hit with hefty duties, it certainly seems like a knee-jerk reaction.

Even if the deal results in more efficient operations and more sales, Bombardier will only receive half of that benefit, despite putting in all the development costs along the way to get the program to where it is today.

However, there may be some progress from the deal already, as Bombardier announced that it received an order for 61 jets from an unknown European-based airline, and CEO Alain Bellemare claims that "this significant new order confirms the increasing confidence customers have in the CSeries."

### Is the stock a buy today?

Bombardier's share price rose 12% last week as a result of the earnings report and the CSeries order that was announced. However, unless you're a speculator trying to take advantage of short-term fluctuations in the price, Bombardier is a stock I would never consider buying.

Questionable management decisions along with minimal growth and small margins make this a stock which lacks any long-term potential.

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