



Bombardier, Inc.: EgyptAir Intends to Buy up to 24 CS300s — Time to Buy?

Description

Bombardier, Inc. ([TSX:BBD.B](#)) is a scary stock to own, but for investors who've had the stomachs to hang on to shares over the past two years have been rewarded, as their shares have more than doubled in value during this time span.

Like marijuana stocks, Bombardier is a speculative holding, whose stock price will be heavily influenced by the headlines. That means a tonne of volatility can be expected as traders jump in and out of the stock at a ridiculous rate. In addition, the company has a poor reputation and a management team that has a tendency to disappoint prospective clients and investors on a consistent basis.

If you're fine with making a speculative bet on an extremely high-risk stock, then you're probably wondering if now's a good time to reconsider Bombardier following Airbus's 50.01% investment in the CSeries program — a project that has been a major cause for concern over the past few years.

The [vote of confidence from Airbus](#) makes Bombardier an easier-to-stomach stock today, especially since the company was backed in to a corner following many negative headlines in the past.

There's no question that Airbus is getting a great deal, but I also think that Bombardier shareholders, management, as well as Canadian taxpayers are breathing a sigh of relief, since Airbus will be bringing its expertise, which will likely unlock the full potential behind the CSeries — something that I don't think Bombardier could have done on its own. With Airbus on board, I think prospective clients may start coming in at a quicker rate over the next year.

More recently, EgyptAir sent Bombardier a letter of intent to purchase up to 24 CS300 aircraft. An order of 12 jets valued at ~US\$1.1 billion, with purchase rights to 12 additional jets. Bombardier had been speaking with EgyptAir for many months prior to the deal being announced to the public.

Bombardier now has announced ~43 letters of intent for its CSeries jets, and going forward, this could pick up, while the company ramps up its aircraft production rate over the next few years. Management currently expects 90-120 jets to be produced per year by 2020.

Bottom line

Bombardier stock appears to be back in the upward trajectory, but the company [isn't even close to being out of the woods yet](#). If the company can clean up its act and actually deliver without issues consistently, the stock could surge over the next few years. And if it can't, the stock will likely fall off another cliff.

Although there have been several positive developments of late, I'd still recommend avoiding the stock, because I believe the risks are much greater than the potential rewards.

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