



Bombardier, Inc.: Hitting New 52-Week Highs

Description

Bombardier, Inc. ([TSX:BBD.B](#)) has taken flight, hitting new 52-week highs. In a market bleeding red across the board, Bombardier's share price has bucked the trend, returning an impressive 30% year to date. For a company mired in turmoil for the better part of the past decade, the company has been quietly turning the corner. Behind the leadership of CEO Alain Bellemare, the company is in transition "from (an) investment cycle and into a strong growth cycle." With Bellemare at the helm, the company's share price has risen 263% since hitting lows in early 2016. Are the company's woes finally behind it? It is certainly beginning to look that way.

In November of this past year, Bellemare updated investors on the company's debt-reduction and cash-generation strategy. This was in stark contrast to the company's focus under previous leadership, which involved heavy investments in its aircraft programs — investments that have caused significant liquidity issues for the company. As a result of poor cash management, the company has required multiple government bailouts. A new focus on cash generation is welcome. In the fall, the company announced a partnership with Airbus to ensure sustainability of the much-maligned CSeries program.

In January, the company received some unexpected good news, as the U.S. International Trade Commission (ITC) ruled in favour of Bombardier in its trade dispute with **Boeing Co** ([NYSE:BA](#)). The ITC found that Boeing was not harmed, reversing a previous recommendation by the U.S. Commerce Department to impose steep duties on the sale of CSeries planes to American airlines. Since the announcement, **Delta Air Lines, Inc.** ([NYSE:DAL](#)) has re-iterated its plans to purchase 75 CSeries jets. The favourable ruling caused the company's share price to spike by as much as 15%.

The company's most recent share price appreciation is due in large part to its recent fourth-quarter results. Bombardier blew past expectations across all segments, with free cash flow (FCF) being particularly impressive. The company's FCF surged 76% to \$872 million in the fourth quarter, crushing analysts' FCF estimates of \$662 million. In addition, the company only spent \$786 million in 2017, significantly less cash than the \$1 billion it expected to use. In 2018, the company expects to break even on cash flow and revenue to rise across all segments.

Investors have a right to be skeptical, as previous management has failed to deliver on past promises. Will this time be any different? If recent results are any indication, the company may finally be ready to

turn the corner. Entering his third year as CEO, Bombardier is now very much Bellemare's company, and investors are riding a wave of good news. With free cash flow, earnings, and revenue all on the rise, optimism abounds.

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Date

2025/07/04

Date Created

2018/02/22

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