



Should You Buy the Bombardier Inc. Rally?

Description

Bombardier Inc. ([TSX:BBD.B](#)) is closing in on a five-year high, and investors who missed the rally are wondering if more upside is on the way.

Let's take a look at the Canadian plane and train maker to see if it deserves to be in your [portfolio](#) today.

Tough times

Bombardier's CSeries program is finally taking off, but the project nearly buried the company. Extensive delays and cost overruns forced Bombardier to suspend its [dividend](#) and hire a new CEO in early 2015. Things went from bad to worse, and by the fall of that year, Bombardier had to seek US\$2.5 billion in aid from the Province of Quebec and that province's pension fund.

Even with the financial help, things still looked pretty bleak. Bombardier was burning through cash at a frantic rate, and with no CSeries revenue coming in due to delivery delays and no new orders since September 2014, the funding commitments didn't stop the stock's slide.

By early 2016, Bombardier's share price dipped below \$1, leaving analysts were to question whether Bombardier would have to file for bankruptcy protection.

Turning point

At what was arguably its darkest hour, Air Canada stepped up and saved the day, signing on for 45 CSeries planes. A few months later, **Delta Air Lines** secured a deal for 75 CSeries jets, and the market began to believe that Bombardier might actually survive.

The funding commitment from Quebec went a long way in helping Bombardier win the two orders, but it also caused some grief. In 2017, the United States Department of Commerce hit Bombardier with tariffs of close to 300% for the Delta deal, claiming Bombardier sold the planes at a discount of close to 80%, and had received unfair government subsidies.

This sent Bombardier into the arms of Airbus SA, which agreed to take a 51% controlling interest in the CSeries business. The idea was that the CSeries planes for the Delta deal would be built at an Airbus facility in the U.S., effectively bypassing the tariffs. In January of this year, the U.S. International Trade Commission overturned the tariffs.

Since then, Bombardier has received additional orders for the CSeries. That trend could continue, as global airlines feel more comfortable with the program being under the wings of Airbus.

Should you buy?

As of July 1, the CSeries partnership deal with Airbus will close and the CSeries program will effectively go off Bombardier's books. Now investors have to focus on the other businesses, including the rail division and the regional jet operations.

The train group has its own manufacturing and delivery problems and is facing strong global competition from the Chinese.

On the regional jet side, Bombardier is expanding its business jet fleet with the new Global 5500 and 6500 aircraft. A strengthening global economy bodes well for business jet demand, but the group also tends to get hit when times are tight.

Bombardier currently trades for close to \$5 per share at the time of writing. That's great for the courageous investors who bought at the lows, but new investors should be careful, as there is a risk that the good news is already priced in at this point. In fact, if you picked up the shares in the past couple of years, it might be a good idea to book some profits.

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