



Boosted by Delta Deal, Bombardier, Inc. (TSX:BBD.B) Stock Is a Buy

Description

If you've been following the business news, you'll have seen that **Bombardier, Inc.** ([TSX:BBD.B](#)) just made a major deal with **Delta Air Lines Inc.** ([NYSE:DAL](#)). Even with the expected bulk discount applied, an order of 20 CRJ900 model Canadair regional jets puts serious money in the company's accounts. It also puts Bombardier stock very prominently on the investment radar, if it wasn't before.

Bombardier is still deeply discounted

At \$5.23 a share, Bombardier is still cheap and cheerful. It's discounted by around 50% and had good prospects, even before its recent good news, with a 44.7% annual growth in earnings projected. While market commentators have already been [singing Bombardier's praises](#), this latest development makes the stock even more palatable.

Its multiples are a little hard to scrutinize, though, since the company has been loss making. The aerospace and defence market has an average P/E of 18.1 times earnings, so that's generally what investors should be looking for in an aviation stock. In terms of assets, expect around 6.5 times book, which is the sector average.

Negative shareholder equity is also a concern, though this should be balanced against Bombardier's [high profile and excellent value](#). Bombardier also reinvests rather than paying out dividends, which further limits future liabilities. And now that sales are rolling in, investors can expect more good news to come.

Should you buy Bombardier before it refuels?

The order from Delta is worth US\$961 million per unit. Multiply that by 20 and knock off the discount, and you're looking at a significant boost to Bombardier's balance sheet. The news is likely to boost the share price, too, so if you were looking to buy this stock, then the time to do so is now.

The share price has been rising steadily, buoyed by sales, such as **American Airlines Inc.'s** for 15 CRJ900 back in May. It's now back to where it was in its pre-2016 heyday and is set to continue rising.

Its future cash flow value, to go back to that discount, is around \$10.15, so buying Bombardier stock now gives investors the opportunity to double their money down the line. And with so many Bombardier vehicles making up international fleets, that future growth is quite likely to materialize.

At the end of the day, Bombardier is a world-leading manufacturer not only of planes, but trains as well. Add in a discounted share price and a run of good news, and it's no wonder analysts are giving a clear buy signal.

The bottom line

Bombardier is a solid stock, and one worth holding for the long term for that share price raise. If you want an idea of just how stable the company is, consider the fact that one in every five North American regional jets in the air at any given moment is Bombardier's. While it's up to would-be investors to decide whether Bombardier stock is a good investment at the moment, news of the new Delta deal should certainly go some way to tip the balance in its favour.

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