



## Is This the Right Time to Buy Bombardier, Inc. (TSX:BBD.B)?

### Description

**Bombardier, Inc.** ([TSX:BBD.B](#)) is up more than 100% over the past year, and investors are wondering if additional [gains](#) are on the way.

#### Airbus effect

Airbus SE now owns the CSeries program, which nearly sent Bombardier into bankruptcy protection in early 2016. The road to get here has been a long and painful one for Bombardier and its shareholders, but the mood is now positive, and investors are flocking back to the stock.

How bad was it?

In February 2016, Bombardier traded for \$0.80 per share, amid fear the delays and cost overruns on the troubled CSeries program had gotten to the point where the US\$2.5 billion in aid committed by Quebec and the province's pension fund might have come too late.

**Air Canada** and **Delta Air Lines** then stepped up to save the day, booking huge CSeries orders that guaranteed work for Bombardier's large Quebec-based workforce and giving the CSeries a much-needed vote of support.

The stock rallied on each of the deals and has continued to climb. At the time of writing, Bombardier trades for \$5.20 per share.

Things got a bit scary last year when the U.S. government decided the Delta deal was done at such a discount that it qualified as "dumping" and slapped a 300% tariff on the CSeries planes being sold to the American carrier. In a scramble to find a solution, Bombardier handed over a majority interest in the CSeries to Airbus.

Airbus will make the CSeries planes for American buyers at a new facility in Alabama beginning in 2019. The U.S. has since overturned and dropped the tariffs.

## Market opportunities

Airbus anticipates demand will be robust for the 100-150 seat segment in the coming years, expecting global sales of roughly 6,000 planes in the next two decades.

That's probably why Boeing just announced a US\$4.75 billion deal to buy a majority interest in Embraer's commercial aircraft operations.

The two giants will now battle it out for the smaller plane market, as they do with the larger jets, but there should be enough demand to keep both busy, and that bodes well for Bombardier.

Airbus officially took its 50.1% stake in the CSeries Aircraft Limited Partnership (CSALP) on July 1. Bombardier owns 34% and Quebec owns 16%.

Airbus CEO Tom Enders told Bombardier employees and the media at a recent press conference that his company is committed to finding buyers for the CSeries planes. Cost controls are cited as being key to the plane's success, so we will have to see how things shake out in the coming years.

The CSeries name will soon change to reflect its new role in the Airbus line of planes.

## Train troubles

The market is all caught up in the positive outlook for the aerospace group, but Bombardier also makes trains, and that division has its own portfolio of challenges.

The company is recalling most of the streetcars it has sent to Toronto to fix welding problems. The announcement is just the latest setback on the troubled order with the TTC, originally signed in 2009.

Bombardier says it will take 19 weeks to fix each of the 67 cars it is recalling, meaning it will be at least 2022 before the work is done.

Competition from China is also an issue for the rail group. Bombardier lost two important deals in the U.S. in recent years to a state-owned Chinese competitor.

## Should you buy?

Analysts are starting to warm up to Bombardier again, citing the CSeries momentum. That could take the stock higher, but the easy money has probably been made at this point.

Hats off to those who've bought in the past two years, but I would keep any new position to a minimum or even look to book some profits right now. The entrance of **Boeing** into the fold changes the game, and Airbus has no interest in selling planes at a loss, despite its "commitment" to see the CSeries succeed.

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