Bombardier, Inc. (TSX:BBD.B) Puts on a Good Show

Description

Bombardier, Inc. (TSX:BBD.B) is one of those TSX stocks you either love or hate without any compromise between the two camps.

Lately, with the company generating a lot of buzz from its CSeries of smaller aircraft — now called the Airbus A220 — Bombardier stock has taken flight, hitting a seven-year high on July 11 of $5.58.

In fact, its upward trajectory has gotten me in on the excitement. I recently suggested that $10 is a real possibility over the next 12-18 months.

As I said in my June article, I've been a total cynic when it comes to Bombardier stock, but when the numbers tell a story that's improved, as is the case in this situation, investors, including me, are forced to pay attention.

With momentum on its side, something it hasn't had for two decades, Bombardier has cranked up the public relations machine to make hay while the sun shines, converting skeptics into believers, enriching Alain Bellemare and the rest of his management team in the process.

The PR machine is running full tilt.

Initially, I'd wanted to write about the CSeries name change and the subsequent news story about **JetBlue** ordering 60 A220-300s, but then two articles caught my interest about the company's revival — one from the *Globe and Mail* (July 13) and another from the *Toronto Star* (July 16) — and I just had to examine their accuracy.

The rescue of Bombardier

Right at the top of the article is an illustrated portrait of CEO Alain Bellemare, the saviour of Canada's aircraft manufacturing industry.

That alone justifies Bellemare's US$10.6 million compensation in 2017, don't you think?

Okay, I'm letting my cynical side get the best of me.

The truth is, Bellemare has done much to change Bay Street's perception of the company, and that's despite several PR nightmares — ask the TTC how they feel about Bombardier?

"In the past, other CEOs recruited from outside the company have had limited success, given the Beaudoin-Bombardier family control, but this time it was different," **Air Canada** CEO Calvin Rovinescu told the *Globe and Mail*. "They gave Alain the reins and let him do what was necessary. And he has delivered in spades."

Analysts I take with a grain of salt.

However, when someone like Rovinescu talks positively about the company — he negotiated a corporate turnaround of Air Canada — I'm more inclined to listen.

Yes, sure, it's a bit of puff piece, but deservedly so.

Do not ignore Bombardier's turnaround

On July 16, Bombardier's vice president of communications Mike Nadolski wrote an op-ed for the *Toronto Star* that warned the paper's business readers not to fall victim to cynicism — something easier said than done if you live in Toronto.

"Looked at in isolation, the difficulties Bombardier has had in delivering on the city's streetcar project would give Torontonians every right to be skeptical about our company's turnaround," Nadolski stated.

Indeed. And although I now live in Halifax, up until February, I was a long-time Toronto resident, well aware of the firm's screw-ups.

Nadolski does an excellent job of looking at the Bombardier turnaround with the glass half full rather than half empty without denying its train business must execute better.

The sign of a mature company is one that knows its strengths and weaknesses and does something about it. So far, Bellemare has done a good job dealing with the company's warts transparently.

How will you know when Bombardier is all the way back?

Airbus 220-300 orders aren't going for 72% off retail, as is the case with JetBlue.

If you own Bombardier stock, I suggest continuing to hold until evidence suggests otherwise. If you don't, as I write this, BBD.B is dropping by more than 4%, providing a good entry point.

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