



Bombardier, Inc. (TSX:BBD.B) and BlackBerry Ltd. (TSX:BB): Should We Buy the Dips?

Description

Bombardier, Inc. ([TSX:BBD.B](#)) and **BlackBerry Ltd.** ([TSX:BB](#))([NYSE:BB](#)) have both had their respective difficulties in the last many years. And while we have seen some promising events unfolding, both of these companies are still embroiled in precarious positions.

Let's take a look at each of these stocks to figure out where they are most likely headed and whether we should [buy the most recent dips](#).

Bombardier, Inc.

Bombardier stock is down 12% in the last month after pretty much doubling from July 2017 to July 2018 off the new CEO Alain Bellemare's steadfast execution of his plans to improve performance at the company.

In 2015, the company launched a five-year plan, or turnaround program, to enhance shareholder value creation.

The goal is to increase revenue by \$4 billion to greater than \$20 billion, hit EBIT margins of more than 8%, and to generate sustainable free cash flow of between \$750 million and \$1 billion a year by 2020.

Investors clearly liked the plan from a company that has long struggled with cost overruns and delays in its CSeries jets and in its transportation projects.

And management has been successful in its execution of the 2020 plan, with improving financials in the form of lower financial risk and higher margins, driving a positive view on the stock.

So, Mr. Bellemare has effectively lowered the risk of investing in this company.

But while demand for its business jets is expected to be strong, and the company's partnership with Airbus has allowed the stock to recover somewhat, the company's transportation division, which accounts for 50% of revenue, still has some ongoing issues and scars.

Supply chain issues and manufacturing problems have been blamed for missed deadlines, and while it looks like production has been ramped up, the company has not inspired confidence in its ability to handle transportation projects.

I remain on the sidelines.

BlackBerry Ltd.

BlackBerry, a [technology stock](#), is down 22% since the beginning of the year, probably largely reflecting the stock's valuation and ever-present uncertainty.

But there are two major reasons why I am a buyer of Blackberry stock at these levels, and both of these reflect increasing visibility and growth opportunities for the company.

The first reason relates to the fact that the company's recurring revenue is increasing as a percentage of total revenue. In the first quarter of 2018, recurring revenue accounted for 86% of total revenue, with management expecting this number to increase to over 90% within a year.

The second reason I'm bullish on the stock is the fact that BlackBerry has had a number of design wins in the automotive software business — an emerging business that has a lot of growth ahead of it.

BlackBerry still has a very strong balance sheet, with more than \$2 billion in cash leaving the door open for strong future growth either organically or via acquisitions.

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