



Is Bombardier, Inc. (TSX:BBD.B) Stock a Bargain After the Pullback?

Description

Bombardier ([TSX:BBD.B](#)) has given up some of its impressive 2018 gains, and investors who missed the rally are wondering if the dip presents a good opportunity to add the stock to their [portfolios](#).

Let's take a look at Canada's top plane and train maker to see if it deserves to be on your buy list today.

Taking a break

Bombardier is down from \$5.40 per share in early July to about \$4.80. That's a pretty significant drop in such a short period of time, but investors who had the courage to step in at the 2016 lows are still sitting on some serious gains. Bombardier bottomed out below \$1 per share.

The rally began after the Quebec government and its pension fund provided a US\$2.5 billion lifeline to the company. This gave **Air Canada** and **Delta Air Lines** the guarantee they needed to sign major orders and provide the second half of the rescue of the beleaguered CSeries program, now renamed A220 after **Airbus** took a 50.1% ownership stake in the business. Those deals saved thousands of jobs in Quebec, but the Delta agreement arguably led to the sale of the CSeries jet program to Airbus.

Why?

The U.S. government claimed that Bombardier sold the planes to Delta at prices that were too low. As a result, the government slapped a 292% anti-dumping tariff on the jets. In order to get around the issue, Bombardier signed over the controlling interest of the CSeries business to Airbus, which will now build A220 planes destined for U.S. buyers at its facilities in the United States. The U.S. International Trade Commission dropped the tariffs earlier this year. Airbus officially took over the CSeries program on July 1.

[Investors](#) like the idea of the A220 being under the wings of global giant Airbus. It should give airlines around the world more confidence to buy, and additional orders have already come in, including a commitment from **JetBlue**, but investors might have anticipated a rush of buyers, and that hasn't happened.

Pricing and competition

One reason might be cost. Airbus isn't going to sell the planes at a loss, so it might take a while to get airlines to sign up for big orders. In addition, **Boeing** has partnered with **Embraer** in the small commercial plane segment, and they did well at the recent Farnborough International Airshow. In fact, Embraer secured a major order from **Republic Airways**, which was one of the earliest companies to sign up for the CSeries.

Going forward, the battle for customers will continue, and the market is probably taking a wait-and-see approach.

Train trouble

Bombardier continues to struggle with manufacturing and delivery challenges in the rail division, especially on its streetcar order with the Toronto Transit Commission. The delays and subsequent recalls have been bad publicity for Bombardier and could be costing it orders amid heightened global competition from state-owned Chinese competitors.

That said, Bombardier recently announced a US\$303 million order from France, which is part of an original deal signed in 2006.

Should you buy?

At this point, bankruptcy is no longer a fear, but the current stock price probably reflects the renewed stability as well as anticipated order growth for the A220. The pullback might be tempting, but I would look for other opportunities today.

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Date

2025/07/07

Date Created

2018/07/31

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