



Bombardier (TSX:BBD.B) Stock Is Down More Than 8.6% This Week: Is it Time You Bailed?

Description

Despite surging by at one point as much as 5.7% in the three days that followed its latest earnings report, **Bombardier** ([TSX:BBD.B](#)) shares have given back those gains — and then some.

Bombardier stock has lost 8.7% of its value from its August 7th high and now finds itself 3.5% lower than its opening price on August 2, the day the latest earnings were released.

[So, what happened exactly?](#)

It's kind of a funny thing — one of those “counter-intuitive” parts of the markets. That's because, for the most part, the report coming from company management actually sounded pretty darn encouraging.

Not only did Bombardier report 18% earnings growth year over year, but it also saw its operating margin expand by 80 basis points to a 6.4% EBIT margin (earnings before interest and taxes), both of which were helped by strong growth in the company's transportation unit, which saw sales increase by 11% in the quarter.

So, you would think that news like that would send a company's stock price sky-rocketing.

But alas, the markets are usually not so straightforward, my fellow Fools. I hate to say it, but its true.

It seems like what investors have been experiencing the past week since Bombardier reported is a classic example of the “buy the rumour, sell the news” phenomenon. It's nothing new. In fact, this type of “anomaly” has actually been pervading the markets for years — even decades.

While Bombardier's recent performance is no doubt impressive, you see, this is exactly the type of thing that investors have been expecting — and betting on — for several years now.

Keep in mind that Bombardier stock gained 68% in 2016, another 49% in 2017, and has only gone on to gain another 57% so far in the first seven months of 2018.

Way back in 2015, Bombardier stock traded for as low as \$0.72 at one point. Back then, it was facing very serious challenges with its CSeries jet engine program that, in fact, threatened to make the company insolvent.

However, thanks to a “bail out” from Investissement Québec and a strategic partnership with competitor Airbus, those issues have, for the most part, been ironed out.

Those who were brave enough to “get in at the ground floor” have been rewarded handsomely. A \$10,000 investment made in Bombardier’s common shares back in late 2015 would be worth a very impressive \$65,694 today.

But despite the latest run, there are still a couple of issues the company needs to work out.

Bombardier hasn’t posted a net profit since 2013, accumulating over \$8.2 billion in cumulative net losses over that stretch.

And that isn’t about to change this year either, with the company saying it expects to suffer \$250 million in operating losses before accounting for special items.

Bottom

As the saying goes, “you gotta know when to hold ‘em and you gotta know when to fold ‘em.”

The rally in Bombardier stock over the past two years has been nothing short of incredible, but Fools still holding stock in one of Canada’s leading aerospace and defence companies may want to start trimming profits in search of [something offering better potential](#).

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