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

Description

Bombardier (TSX:BBD.B) has bounced back after being on the brink of bankruptcy, and investors who've missed the rally are wondering if a recent dip is a good opportunity to buy the stock.

Let's take a look at the current situation to see if Canada's plane and train maker deserves to be in your portfolio.

Big move

Bombardier bottomed out below $1 per share in early 2016 amid ongoing concerns a lack of orders for the troubled CSeries program. At that point, the company hadn't secured a new deal since the fall of 2014, and despite a US$2.5 billion commitment from Quebec and the province's pension fund, airlines remained hesitant to sign up.

Just as the situation appeared hopeless, the tide began to turn.

Air Canada swooped in like Superman to save the day, signing up for a major CSeries order. **Delta Air Lines** followed suit a few months later, and by late spring, Bombardier was back to $2 per share and getting ready to deliver its first CSeries plane. The shares traded in a tight range around the $2 price point for about a year and then started to drift higher last summer.

In the fall of 2017, things got a bit hectic when the U.S. decided to hit all CSeries planes imported into the country with tariffs of close to 300%. The move came in response to complaints that the Delta deal was done at unacceptably low prices. In order to fend off the tariffs and protect thousands of jobs, Bombardier entered an agreement with **Airbus** where the European giant would take a majority interest in the CSeries business and produce planes for U.S. customers at a facility in Alabama.

The U.S. dropped the tariffs in early 2018, and Airbus took control of the CSeries July 1. The planes have since been renamed A220 to fit in with the Airbus portfolio.

Bombardier's stock soared above $5.50 in mid-July, as investors anticipated a wave of new orders to roll in now that the planes are under Airbus control. However, **JetBlue** and a new U.S. startup are the only new companies that have stepped forward, and that might be disappointing the market.

At the time of writing, Bombardier is back down to $4.60 per share.

Opportunities

The new jets that are in operation have received good reviews, and the added fuel efficiency that the A220 brings should see more interest from airlines now that oil prices are back above US$65 per barrel.

On the rail side of the business, Bombardier is battling through manufacturing issues and delays on some orders, with the TTC streetcar contract getting the most attention. Moving forward, however, Bombardier could be a winner under the federal government's plan to spend $186.7 billion over the next 12 years, although it already missed out on the first project the Canada Infrastructure Bank (CIB) is helping.

The CIB just announced a loan of $1.28 billion for the ongoing $6.3 billion major light rail expansion in Montreal. Quebec's pension fund, which owns 27.5% of Bombardier Transport has a majority interest in the project. Interestingly, Bombardier was not chosen to participate when the contracts were announced in February.

Should you buy?

Bombardier is no longer at risk of going bust, and that's great news for the thousands of Canadians who are employed by the company. At this point, however, most of the easy gains for investors have probably been made, and there is a chance the stock will continue to drift lower until another large A220 order or major rail deal gets announced.

As such, I would look for other opportunities today.

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