



Bombardier, Inc. (TSX:BBD.B): Is the Stock About to Take Flight Again?

Description

Bombardier ([TSX:BBD.B](#)) saw its stock price drop from \$5.40 per share in July to \$4.19 in early September. Since then, the stock has jumped 12%, and investors are wondering if this is the start of a new rally.

Let's take a look at the current situation to see if Canada's leading train and plane maker deserves to be on your [buy list](#).

Plane business

This summer, Bombardier transferred a controlling interest in its CSeries jet program to Airbus. The European aerospace giant then renamed the jet A220 to fit in its existing lineup.

This marked the end of a tumultuous run for the new jet, with multi-year delays and billions in cost overruns that eventually forced the company to shelve the [dividend](#) and threatened to push Bombardier into bankruptcy. In the end, a US\$2.5 billion in investments from Quebec and the provincial pension fund combined with life-saving orders from **Air Canada** and **Delta Air Lines** helped turn things around, but tariffs of nearly 300% imposed by the U.S. on the planes ordered by Delta threatened to derail the recovery.

To avoid the issue, Bombardier decided to sell a 50.1% position in the CSeries to Airbus, which will produce jets destined for U.S. customers at a facility in Alabama.

The decision must have been difficult for Bombardier to make, but thousands of jobs in Quebec were potentially at risk.

Now that the program is part of the Airbus portfolio, airlines around the world should feel more comfortable placing orders, but Airbus might not be willing to offer the same discounts that Bombardier had to provide. As such, it is a wait-and-see situation for Bombardier investors.

The company's global business jets might be a bright spot. Bombardier's long-range Global 7500 plane should get Canadian certification in the coming weeks and deliveries are expected to begin after that

occurs. The jet is the longest-range business jet available in the market.

In addition, Bombardier has upgraded its popular Global 5000 and Global 6000 planes to newer versions (Global 5500 and Global 6500) that can fly longer distances. The next-generation planes should be in commercial operation by the end of next year.

Train business

Bombardier Transport has also had its share of troubles. The division has struggled with manufacturing issues, and the high-profile battle with the Toronto Transit Commission due to delayed deliveries and recalls on street cars has potentially cost Bombardier other deals. For example, Montreal went with a competitor earlier this year for an expansion of its commuter network.

In addition, two major European train makers are trying to merge in an effort to battle state-owned Chinese competitors in the global market. If the hook-up of **Siemens** and **Alstom** goes through, Bombardier risks being left on the sidelines.

Should you buy?

The stock could certainly continue its upward trend, especially if a large A220 order is announced from an international carrier. In addition, the new line of business jets should do well in the coming years.

That said, the stock has rallied significantly from the 2016 low of about \$0.80 per share, and most of the good news is probably priced into the stock right now. Debt remains an issue, and until that gets sorted out, the upside might be limited.

Bombardier is in better shape than it was a couple of years ago, but I would probably look for other opportunities today.

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