



Bombardier, Inc. (TSX:BBD.B) Stock Crashes: Should You Buy?

Description

Bombardier ([TSX:BBD.B](#)) just announced a major round of job cuts, as it struggles to right the ship, and investors are grabbing their parachutes once again.

Let's take a look at the current situation to see if Bombardier deserves to be on your [buy list](#).

Restructuring

Bombardier continues to restructure its business in an effort to get its debt load under control and position the firm to survive over the long haul.

The company just announced it will cut 5,000 jobs, with half of the losses occurring in Quebec over the next two years. An additional 500 jobs will go in other parts of Canada. Of the 70,000 global employees, about 20,000 are currently located in Quebec.

Bombardier is also selling two of its business units for a total of US\$900 million.

Management has a 2020 target to get the train and plane maker back on the path of growing revenue and profits.

Buy or bail?

Investors reacted negatively to the news, sending the stock down 14% after the announcement. At the time of writing, the stock trades at \$2.72 per share, which is a new 2018 low.

The plunge marks a big turnaround from the optimism the market had for Bombardier this summer. In early July, Bombardier traded as high as \$5.50 per share, as investors piled in on the hopes that the sale of the CSeries (now A220) to Airbus would result in a flood of new international orders to prop up manufacturing revenue for the coming years.

That has not happened, and the longer the order drought goes on, the more impatient investors might become. Airbus will want to sell the A220 at a profitable price, and it could take some time for airlines

to agree to pay up for the plane after Bombardier offered significant discounts to try to save the program in 2017.

On the train side, Bombardier faces strong competition from state-owned Chinese competitors. In addition, European giants **Alstom** and **Siemens** are attempting to merge their rail divisions. If that deal goes through, Bombardier could be left standing alone without a dance partner in the global rail sector.

Management is taking painful and important steps to put the company back on track, but the trend isn't your friend right now, and unless Bombardier can find a way to reduce its massive debt in an era of rising rates, the tough times might continue.

As such, I would look for other opportunities today.

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