



## Bombardier, Inc. (TSX:BBD.B) Hasn't Been a Good Buy for a Long Time

### Description

A company that has been poorly run for a long time isn't going to suddenly change its stripes. However, **Bombardier** ([TSX:BBD.B](#)) managed to trick some investors into thinking that, as the stock [climbed](#) earlier this year after giving away half of its CSeries business for effectively nothing in return. Why investors saw that as a positive and thought that the stock was worthy of a buy, despite its [many problems](#), is a mystery to me, but we recently got another reminder of the challenges the company is still facing.

Last week, Bombardier announced that it would be cutting 5,000 jobs and selling off its training and turboprop operations. While it is expected that asset sales will give Bombardier around US\$900 million to add to its financials, which will help offset its rising debt load, it isn't going to make its problems disappear. Even with help from the government, the company has struggled over the long term, and year after year it has generated significant losses, with 2013 being the last time Bombardier was able to stay out of the red.

The news of Bombardier reducing its staff significantly and selling off a couple businesses shouldn't really raise any new alarm bells for investors. A stock that has seen all the problems it has had in recent months and years should have been enough of a warning sign for investors to stay away.

### Speculators fueling the stock's growth?

I'm inclined to believe that the main reason for Bombardier's rise in price earlier this year was a result of speculation and not due to value investors seeing a bargain buy for the troubled manufacturer. If you'd bought in when the stock hit penny-stock status back in early 2016, you would have made out very well, but considering the stock to be anything but a short-term buy would be a very risky play, to say the least. Bombardier isn't showing signs of growth, nor is it profitable, and it doesn't pay any dividends, so there is very little reason to buy the stock if you aren't a speculator.

Investors can say that the stock has risen around 90% over the past three years, but if you look at the past five and 10 years, the share price is down more than 40%. Bombardier has proven to be a very volatile stock, where you might be able to score a big return if you get in at the right time, but that's not

a risk-free strategy, nor is it easy one to execute.

### Bottom line

Despite the bad news release, this shouldn't come as a big surprise to investors. Bombardier has been struggling for some time, and the signs were there that the company was being managed poorly. Any company that needs help from the government and still can't succeed should have red flags all over it.

I'd caution investors thinking about buying on the dip, as the stock could be headed for an even bigger decline in the weeks and months to come.

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