Should You Buy Bombardier, Inc. (TSX:BBD.B) on the Dip?

Description

Bombardier, Inc. (TSX:BBD.B) has been an erratic stock lately and it's hard to determine where it is headed next. With the stock coming off a new 52-week low, investors may be wondering:

Is Bombardier a buy at this price?

The problem is determining which time frame you're looking at when you see Bombardier's stock being on a dip. While it's true that the stock has seen its value cut in half over the past three months, I'd argue it was well overpriced back then. Over three years, the stock is actually up over 80%.

With negative earnings over the past 12 months and negative equity, we can't use the conventional metrics to evaluate where its stock price is currently valued. However, over the past three quarters, the company has posted profits and it can pull itself out of the negative with another positive earnings result.

Its forward price-to-earnings is expected to be 16, which suggests a modest multiple for value investors. However, it might still be a bit high even at that level given that the company has struggled to achieve growth.

The challenges the company has faced along with its poor reputation make the stock one that should be trading at an even lower multiple than that. If we look at sales, Bombardier is trading at just 0.3 times its revenue over the last 12 months, a very low multiple.

It's hard to look at any one metric and say that Bombardier's stock should be higher or lower than where it is today, as the numbers aren't all pointing in one direction.

Another thing we can do is use technical analysis to help tell us gauge the recent price movement. The **Relative Strength Index (RSI)**, which looks at average gains versus average losses over the past 14 trading days, is showing a stock that has recently gotten out of oversold territory. When the RSI hits below 30, it is considered oversold and could be due for a rally.

As of Monday's close, the RSI was at 32, only slightly above that threshold and suggesting that we might still be due for a bit more of a rally from its current price.

At around the start of November, the stock also made a “death cross” where its 50-day moving average dipped under its 200-day mark, indicating a bearish signal. Sure enough, the stock would go onto decline even further. Whether it has bottomed out is another story entirely.

Bottom line

Bombardier is a risky long-term buy at best, but in the short term, investors could take advantage of a stock that’s been very volatile lately. While news of significant job cuts is not good, ultimately it’ll help improve the company’s financials. There are signs the stock might be a bit low with where it is trading right now, and I don’t believe it’s a much worse than when the stock was trading at around $3 a share.

For that reason, I’d say that Bombardier might be worth a short-term pickup, but I’d keep a close eye on it and make sure to have a stop-loss ready. Long term, however, this would not be a stock that I’d keep in my portfolio.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:BBD.B (Bombardier)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Date
2025/08/27
Date Created
2018/11/27
Author
djagielski