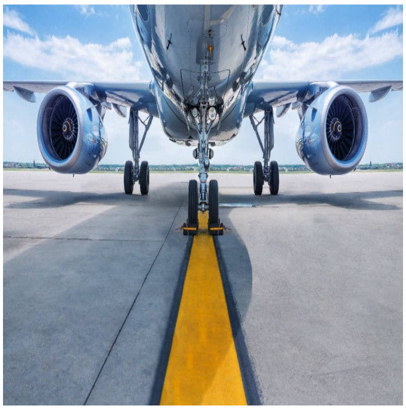

Here's Why This Canadian Aerospace Stock Is Still a Risky Bet

Description

There's plenty of column space being devoted to the following major Canadian aerospace stock, which has seen a big flurry of investor interest in the past week. One of the biggest aviation tickers on the TSX index and arguably the biggest deal in Canadian defense stocks, Bombardier has seen significant short-term volatility in this asset in the last 10 days. We're going to go through a few key pieces of data to see whether to buy, hold, or sell, and how deep a position to take.

Bombardier (TSX:BBD.B)

Following its recent crash in share price and subsequent sudden climb, Bombardier is a really interesting TSX stock to watch at the moment. But is that all it is at present? It's climbed 3.29% in the past five days, with 15.9% seven day returns, and saw some pretty wild turbulence in the days preceding that period. But with one-year returns down 26.6%, is this stock too much of a liability for long-term investors?

A one-year past earnings growth of 95.9% is tremendously positive, and rescues a five-year average past earnings growth percentage, bringing it up to -5.4% and showing that the last 12 months have been good ones on the whole for this popular aviation stock.

There aren't many Canadian stocks with $5 billion market caps that oscillate quite like Bombardier has in the last couple of weeks, making this a briefly volatile defensive stock. A PEG ratio in the red doesn't help with valuation, so to get the lowdown on whether to buy long-term for capital gains, we'll need to dig a little deeper.

Value, quality, and momentum

Bombardier's P/E and P/B ratios are both in the red, so there's little confirmation regrading value to be had in that department. The absence of dividends does not further the cause for Bombardier stock in terms of value, given the usual indicators. However, using a comparison with future cash flow, we can see a suggestion of undervaluation: its share price is discounted by just over 20% compared to its future cash flow evaluation.

Where quality is concerned, it's up to a future gains outlook to pick up the slack – and it does just that, with Bombardier looking at a 48.7% expected annual growth in earnings. However, a negative EPS does leave quality-hunting stock-pickers with a bit of a head-scratcher. It's probably best to hold this stock if you've got it in your portfolio, especially given its recent turbulence, while newcomers still have a chance to buy at a reduced price.

Moving on to momentum, we can see that at one point in the last few days, Bombardier had 43.71% five-day gains – yes, you did read that right, and no, that decimal point is not in the wrong place. That margin has now shrunk back to still-positive but greatly reduced levels, with a beta of 1.62 relative to the TSX index indicating its usual medium volatility.

The bottom line

Debt-wise, this company is holding negative shareholder equity, effectively meaning that its assets are outweighed by its liabilities. But let's contrast this with a positive analysis of its balance sheet, which asserts a plus-three year cash runway. Also, with more inside buying than inside selling in the last 12 months, there are at least a few positive signs that this TSX index staple has the potential to make Canadian investors money with aerospace stocks.

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