



Bombardier, Inc (TSX:BBD.B): Is the Stock Buy, Sell, or Hold Right Now?

Description

The sell-off in **Bombardier** ([TSX:BBD.B](#)) from the summer highs has investors who'd missed the previous rally wondering if this is a second chance to buy the stock at an attractive price.

Let's take a look at the current situation to see if Bombardier deserves to be in your [portfolio](#) today.

Trains in focus

Bombardier's rail division is getting more attention around the water cooler after several years of investor and media focus on the CSeries jet program.

Extended production delays and budget overruns in the troubled CSeries business nearly sunk the company in early 2016, despite a US\$1 billion investment from Quebec to prop up the program and a US\$1.5 billion investment by the province's pension fund in the rail division. In the end, large orders from **Air Canada** and **Delta Air Lines** saved the day, and while the heavy discounts on the Delta deal led to the transfer of 50.1% of the CSeries division to Airbus, Bombardier survived and is working through its turnaround strategy.

The stock rallied from roughly \$0.80 at the 2016 low to above \$5.40 this summer on high hopes for Airbus to sell a bunch of A220 planes (formerly CSeries). To date, the deals have not materialized, and that led to a pullback in Bombardier's share price. The selling picked up momentum after Bombardier's Q3 numbers showed the company continues to burn through significant cash. The announcement of 5,000 job cuts didn't help, and the revelation that a stock-sale plan by senior executives was under scrutiny briefly triggered a meltdown.

The stock price hit a closing low of \$1.67 on November 16 and currently trades for close to \$2.10 per share.

Good news

Bombardier just won a bid to supply New Jersey with rail transit cars. The US\$669.1 million deal could grow to be US\$3.6 billion, if New Jersey acts on its options to extend the scope of the deal. Bombardier lost opportunities to supply light-rail units in Boston and Chicago in recent years. Those contracts went to Chinese state-owned competitors.

In another announcement, Bombardier says its Chinese joint-venture partnership has been awarded a second contract worth US\$453 million for 168 high-speed train cars.

Bad news

In Canada, Via Rail just chose **Siemens** over Bombardier for a \$989 million supply contract and a \$356 million maintenance agreement. Bombardier is upset government-owned Via Rail picked a supplier that will manufacture all of the units outside Canada. The trains will be manufactured at a Siemens factory in the United States.

This is the second-largest rail order loss for Bombardier in Canada this year. In February, Caisse de Depot et Placement du Quebec, which is Quebec's pension fund that owns a stake in Bombardier Transport, chose Alstom to supply trains for a \$6.3 billion system in Montreal.

Should you buy, sell, or hold?

Bombardier says it has corrected manufacturing problems in the rail division that have led to missed delivery targets on previous deals. Those issues are likely a contributor to the company's failure to win the Canadian bids. If it really has sorted out the troubles, more rail deals could be on the way.

More importantly, however, Bombardier's US\$9.5 billion debt load has to be dealt with beginning in 2020. The company will need to start refinancing next year, and investors are concerned the projected switch from cash burn to the generation of healthy free cash flow might not occur as quickly as the company anticipates. The Q3 results suggest more work has to be done.

If you already own the stock, I would probably sit tight at this point. For investors who think the management team can deliver on its ambitious targets in the next two or three years, this could be an interesting time to take a [contrarian](#) position in the stock.

Otherwise, it might be best to stay on the sidelines until the negative surprises have run their course.

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