



Is Bombardier, Inc (TSX:BBD.B) Stock a Buy for Your 2019 TFSA Portfolio?

Description

Bombardier ([TSX:BBD.B](#)) has had a volatile year and [contrarian investors](#) are wondering if the latest plunge in the stock price might be an opportunity to pick up the stock at a bargain heading into 2019.

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

Business jets to the rescue

Bombardier's business jet division is expected to help pull the company out of its difficult times in the next few years. The company recently put its highly-touted Global 7500 business jet into service, and the new Global 5500 and 6500 models are expected to do well as rich people and corporations continue to splurge on private planes to help them get around the world in an efficient manner.

Bombardier says the Global 7500 is already sold out through 2022, so things on that front appear to be rolling along nicely.

Train division

Bombardier Transport, which is the group that build light-rail transit vehicles, has gone through some rough times in recent years. The company has missed delivery targets on large orders, with the Toronto Transit Commission deal being the most publicized. The \$1 billion order for 204 new street cars has faced several delays, and make the situation worse, the majority of the units that have been delivered are being sent back for repairs for faulty welding.

The TTC trouble has likely led to Bombardier losing some important bids, notably light-rail transit orders in Boston and Chicago that went to Chinese competitors. Bombardier also lost out to **Alstom** for a Montreal order and just found out that Via Rail is giving its \$989 million contract to **Siemens**. The deal also comes with a 15-year \$355.5 million parts and service agreement.

Alstom and Siemens are seeking approval in Europe to combine their rail businesses in an effort to better compete in the global market. If the merger gets the green light, Bombardier could face additional difficulties when bidding on future orders.

On a positive note, New Jersey recently said it will choose Bombardier to supply new rail transit vehicles for its network. That deal is initially worth US\$669 million but could expand to US\$3.6 billion if New Jersey exercises options for additional units.

Bombardier's CEO recently said the company has dealt with the production issues.

Debt situation

Bombardier is carrying US\$9.5 billion in debt. The notes start to come due in a big way in 2020, so Bombardier will have to start refinancing next year. The company hopes to turn around its cash flow situation from an extensive cash burn to positive free cash flow in the next few years.

Until recently, investors started believing in the turnaround program, and sent the stock as high as \$5.40 per share in July. Bombardier had bottomed out below \$1 in early 2016.

The Q3 earnings report showed things are not quite on track, as cash burn continues to be an issue. Bombardier also announced plans to cut 5,000 jobs.

Should you buy?

The stock is back below \$2 per share. If the train division is finally on the road to recovery and the global economy holds up well enough to drive strong demand for business jets, Bombardier might be an interesting contrarian bet today. That said, the company doesn't have a great track record of delivering on its objectives, so any new investment should probably be kept small.

At the risk of missing some quick upside gains, I would probably stay on the sidelines until things are clearly on the mend.

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