



Could Bombardier, Inc. (TSX:BBD.B) Stock Double in 2019?

Description

Bombardier (TSX:BBD) had a volatile 2018, and investors are wondering if the sell-off in the last quarter of the year might offer a good entry point as the company begins 2019.

Let's take a look at the current situation to see if Bombardier deserves to be on your buy list right now.

Planes

Bombardier has certainly had its issues in recent years.

Much of the pain is connected to the former CSeries jet program, where delays and cost overruns led to a change in management and suspension of the [dividend](#). Tariff threats from the U.S. government resulted in the eventual transfer of control of the business to Airbus. The planes, now called A220, are a part of the Airbus product offering.

The huge surge in orders that investors expected after Airbus took control last July hasn't occurred, but deals are starting to emerge. Airbus just confirmed it will build 120 A220 planes at its new plant in Alabama to complete orders from **JetBlue** and a start-up, Moxy.

If Airbus can get airlines around the world to sign up and pay a reasonable price for the A220 jets in 2019, Bombardier should benefit.

Bombardier's private jet program is also a potential catalyst for the stock. The company's Global 7500 business jets are already sold out through 2021, and as long as the global economy holds up and wealthy individuals keep jet-setting around the planet, the division should deliver solid revenue and profits. The company expects to deliver more than 150 business aircraft in 2019.

Trains

Bombardier Transport has also had its fair share of difficulties. The group has struggled with

manufacturing issues and delivery delays for light rail transit orders. The company's public battle with the Toronto Transit Commission is of particular note.

As a result, the company might have lost out on some key deals, both in the United States and Canada. Boston and Chicago both chose a Chinese company over Bombardier for their most recent contracts. In 2018, Montreal decided to go with Alstom, and Via Rail gave its contract for new trains to Siemens.

Bombardier says it has fixed the problems that have hindered the train group, and its recent win for a light rail contract with New Jersey suggests better days could be on the way.

Risks

Bombardier is carrying US\$9.5 billion in long-term debt, and the notes start coming due in 2020. That means Bombardier will have to begin refinancing the debt this year. If it has to pay a much higher yield to replace the debt that is coming due, the stock could come under pressure.

Bombardier continues to burn through cash. It will have to meet its target of switching to positive cash flow in the next couple of years to avoid another potential cash flow crisis.

Should you buy?

Bombardier currently trades for \$2.20 per share. It hit a high of \$5.40 in 2018, so there is certainly an opportunity for the stock to deliver 100% upside in 2019.

For that to happen, the company would need to see additional Airbus orders that would be manufactured in Canada as well as new rail contracts. The company says it is on track to meet its turnaround objectives. If it can convince the market, once again, that this is truly the case, investors could see some nice returns.

At this point, I would keep the position small. The next couple of quarterly reports will have to show progress on the cash flow situation. If another negative surprise comes out, as it did in Q3 2018, the stock could take another hit.

Other opportunities might be better picks right now.

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