



Is Bombardier, Inc (TSX:BBD.B) a Buy After a \$22 Million Aerospace Investment?

Description

Bombardier ([TSX:BBD.B](#)) hasn't been the strongest TSX stock in the past 20 years. After reaching an all-time high around \$26 in 2000, it trades at just \$2.70 today. But if you'd bought the stock at its [2016 low of \\$0.80](#), you'd be up 237% as of this writing. And with Bombardier having recently returned to profitability, some are wondering if the company may be poised for a comeback.

Recently, Bombardier announced that it would be investing \$22 million in Quebec aerospace projects. The projects, Aéro21 and SA²GE, are working on technological innovations in aerospace. Aéro21 aims to bring 21st century technologies to the Quebec aerospace sector, while SA²GE is working on reducing airplanes' environmental footprints.

These are interesting projects in their own right. But will the investments generate positive ROI for Bombardier?

What the investment signifies

Bombardier is, so far, a passive investor in the aerospace projects in question. This means that the Aéro21 and SA²GE are not outright Bombardier subsidiaries, but independent companies in which Bombardier owns stakes. Should these companies become profitable operations in their own right, Bombardier will be entitled to a portion of any dividends or distributions they pay going forward.

However, it's more likely that Bombardier is interested in the intellectual property these projects generate. Aéro21 and SA²GE are working on patented aerospace tech that could be lucrative in the future. Should Bombardier ever buy either of these companies outright, it will own these technologies, which could lead to innovative, patent-protected features in future Bombardier aircraft. Buying minority stakes in companies can pave the way for complete acquisitions later, so it's possible that this angle is what Bombardier is looking at.

Profitable once more

Bombardier has received a lot of publicity lately for its efforts to return to profitability after several losing years. Last year, the company laid off 5,000 workers and spun off two business units to improve its balance sheet. The efforts seem to have paid off, as the company reported [\\$55 million](#) in net income in Q4. That's noteworthy because in prior years the company ran losses as large as \$494 million.

So far, the return to profitability seems to have been driven by cost-cutting. But the recent aerospace investments indicate that Bombardier may have its eye on more ambitious, growth-driving strategies.

Bottom line

Bombardier is a company with a long and volatile history. Although the stock is way down in the extreme long term, there have been many opportunities to double or triple your money by buying it. For traders, Bombardier stock has provided many opportunities, both long and short. For buy-and-hold investors, the company has so far been a risky proposition. But should the company's investments pay off it may become a long-term winner. For now, I'd sit back and watch this stock with an eye for a good entry point.

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