



## Should Bombardier, Inc. (TSX:BBD.B) Stock Be on Your Contrarian Buy List?

### Description

Contrarian investors are always searching for [troubled stocks](#) that might offer a shot at some big gains once the company turns things around and sentiment improves.

Let's take a look at **Bombardier** ([TSX:BBD.B](#)) to see if it deserves to be in your [portfolio](#) right now.

### Big moves

It's easy to understand why contrarian types might be interested in this stock. Back in early 2016, the company appeared to be on the brink of a bankruptcy filing and the share price fell to about \$0.80. Investors who had the courage or foresight to step in at that point did very well over the next two and half years.

What happened?

Big orders from **Air Canada** and **Delta Air Lines** for Bombardier's former CSeries jet probably saved the company and put a line under the stock price. By the spring of 2016, the shares were back above \$2 and eventually drifted higher until they peaked around \$5.40 last summer, shortly after **Airbus** took control of the CSeries and renamed it A220.

Unfortunately, the stock tanked through the second half of 2018 and finished the year close to \$2 per share. A disappointing Q3 earnings report showed the company still had cash flow issues and a brief uproar over a planned executive stock sale plan added fuel to the fire. The overall weakness in the equity markets in Q4 provided the final punch.

### Better days ahead?

In 2019, however, the stock is up more than 40%, supported by an uptick in the stock market and a Q4 earnings report that appears to have calmed investor fears. Bombardier is still burning through cash, but it remains confident that its turnaround plan is on track.

The global business jet segment is doing well and is expected to drive stronger revenue and cash flow in the next few years. That's important because the company has significant debt coming due. Bombardier just replaced some 2020 notes with a new US\$2 billion issue of Senior Notes due in 2027 at a coupon of 7.875%, so there is at least some appetite in the market for the company's debt.

Airbus recently picked up a new order for four A220s and Delta Air Lines added 15 planes to its original order in January, so interest is starting to build in the jets. American orders will be built by Airbus in the United States. The company thinks it could sell thousands of the planes over the next two decades, and many of those would come from international carriers, so Bombardier would likely build them in Canada.

## Should you buy?

Bombardier's rail division is still working through some manufacturing pains and the debt situation remains a concern. Given the company's track record, investors should be careful chasing the stock today.

However, if you are a Bombardier bull and believe the company's worst days are finally in the rearview mirror, a small contrarian position could certainly deliver some big upside from the current level, especially if a non-American airline makes a significant A220 purchase, or if the rail division starts to pick up additional deals in the United States after the recent win in New Jersey.

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### Date

2025/07/06

### Date Created

2019/03/12

Author  
aswalker

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