Bombardier, Inc. (TSX:BBD.B): Time to Buy This Former Investor Darling?

Description

Are you looking for that next stock to provide you with explosive returns? That undervalued stock that will make a comeback? Do you think that **Bombardier** (TSX:BBD.B) might be that stock?

With a one-year return of negative 30% and a five-year return of negative 38%, Bombardier's year-to-date return of 24% seems to signify that investors may be asking themselves if now is the time to buy this former investor darling because it is finally too cheap to ignore.

Let's take a look

Bombardier has gone from a stock market darling in the late 90s to a perpetual dog, as persistent and non-relenting disappointments caused the stock to crash and burn, tumbling from highs of more than $25 to under $3 today.

It's a steep and shocking fall, and while the company has at least survived, it is a mere speck of what it once was, and it has destroyed massive amounts of shareholder value in the process.

Recent trading has seen the stock continuing its volatile run, and currently trading 50% lower than its summer 2018 highs, contrarian investors might be tempted to invest in this once favourite Canadian industrial giant.

De-risking Bombardier

Recent results came in better-than-expected, as strength in the business and commercial jet divisions drove free cash flow of $1 billion and a year-end cash balance of $3.2 billion, but the situation remains quite precarious.

Bombardier will use cash at a feverish pace as the Global 7500 business jet program is ramped up, and the struggles in the transportation division remain.

Capital spending will remain elevated over the next year or so, debt levels are still high (89% debt to capital), and management and the company still need to prove themselves.

Because choppy orders, massive overspending, delays, and disappointments are what have characterized this company, investors really need to be reassured.

A grain of reassurance comes in the fact that Bombardier is expecting $8.5 billion in annual revenue by 2020, up from $5 billion last year, largely driven by the Global 7500 aircraft.

Another grain comes in the fact that Bombardier has reported better-than-expected earnings in the last year or so, and this means a lot.

With valuation levels so low, this should certainly start to move the needle on the share price.

Also, if everything works out as planned (which is, admittedly, a big *if)*, EPS will grow at a feverish pace in the next few years (50% approximate yearly growth rates).

So, big upside potential is certainly there, but in my view, this stock is only for the speculative investor for now.

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