Is Bombardier Inc (TSX:BBD.B) Stock Ready to Take Off?

Description

Bombardier Inc (TSX:BBD) has been on a solid run in the markets this year. After falling more than 60% late last year, the stock has recovered admirably, sitting at $2.7 as of this writing.

Bombardier is a company with a long and storied history. Founded 76 years ago, it grew from a small snowmobile company to a global plane and train empire.

During the 2000 crash, however, the company ran into financial difficulties due to problems in its financial services business (which it later sold). Shortly after, Bombardier divested from its defence contracting assets, which helped its balance sheet, but resulted in major revenue loss. Much later, the company experienced massive cost overruns on its C Series Jet, which it later had to sell to **Airbus** on somewhat unfavourable terms.

Now, however, the transportation giant seems to be making all the right moves. After recently returning to profitability and slashing costs dramatically, Bombardier is being rewarded in the markets. But can the company keep up the momentum? First, let's take a look at those year-to-date returns.

Year-to-date gains

As of this writing, Bombardier shares traded at $2.7, up 26% from the $2.13 they started the year at. That's a great start to the year. However, like most TSX stocks, Bombardier took a huge tumble in October, November and December. As a result, the stock's current price only brings it back to where it was around November 8. However, it's worth noting that Bombardier is up more than the TSX average early in 2019.

Fundamentals

Improving investor sentiment toward Bombardier seems to be driven at least somewhat by fundamentals. In its most recent quarter, the company earned $2.3 billion in revenue and $55 million in profit. The profit figure was up from a loss in the same quarter a year before. Turning to the balance sheet, the company does have a fair amount of debt (about $9 billion worth), but it has a lot of cash on hand, too (approximately $3 billion worth).

On a less favourable note, Bombardier's profit margin is razor thin, which means that without more cost-cutting, it can swing back to a loss in a heartbeat. However, it's encouraging to see that most of the company's metrics are improved from past quarters.

What's next?

While it's encouraging to see Bombardier turning profits again, it's not exactly clear that the company is in great shape. As mentioned earlier, the company runs razor-thin margins and could easily swing back to running losses. The big question is whether the company's cost-cutting efforts and revenue growth initiatives will be enough to power growth into the future. Assuming they do, then this stock could continue its climb all through this year and possibly even into the next. As for now, we'll just have to wait and see.

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