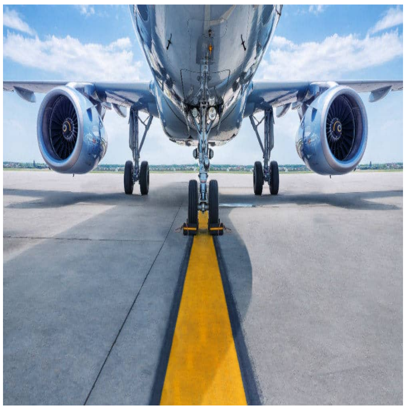

You Could Make $100K in 2 Years by Investing Now in Bombardier (TSX:BBD.B)

Description

It's been a rough new millennium for **Bombardier** (TSX:BBD.B).

Once the stock to beat in September 2000, the stock has declined drastically in the last almost 20 years from $26 per share down to $2.75 at the time of writing this article. And that's nothing compared to 2016 when bankruptcy rumours swirled, as the stock reach $0.80 per share.

Yet it seemed like things were getting better last summer, with the stock reaching almost $5.50 per share before October hit. That sent stocks back down to where they've been since the end of 2018.

But the company might be seeing a turn around, and relatively soon … as in, the next two years.

Earnings looking up

Analysts are slowly starting to trust this once-great empire again after some better-than-expected earnings in the last few quarters. Most recently, the company reported earnings of $2.3 billion in revenue and $55 million in profit. Earnings per share were also a surprise at $0.07, up from estimates of $0.03. I mean, the company still has about $9 billion in debt, but it also has about $3 billion in cash to start paying that off.

But this is just a start. Bombardier plans to cut costs to continue growing revenue, so it can actually grow again. Management has shed or is in the process of shedding multiple assets, such as its CDPQ transportation business, the A220 program, and Toronto real estate. It's also cutting its workforce to focus on its business jet and transportation business.

Problems persist

Cutting costs doesn't mean new ones won't spring up. Delays in projects and repairs have already plagued this company, especially in Bombardier's train sector.

Most recently, the company announced the signing of a $342.6 million contract with the Australian state government of Queensland after a design flaw was preventing wheelchairs from fitting properly in onboard washrooms.

This is on top of the problems reported from Toronto, Switzerland, and France that have been hitting the company hard over the last decade.

Of course, then there’s the CSeries failure that almost sent Bombardier to bankruptcy if it weren’t for a government bailout. However, there is light at the end of the tunnel with Airbus purchasing and renaming the CSeries A220, and Bombardier should see some funds finally come in from this deal.

Now for the good news

Bombardier expects $8.5 billion annual revenue by 2020 — that’s $3.5 billion more than last year, almost all thanks to the Global 7500 aircraft. Investors were worried the ramp up would hurt the company, but the business jet unit should continue to operate at margins at or above 8%.

Another recent announcement was Eurotunnel’s 2018-2026 mid-life programme, where Bombardier will renovate nine “PAX” shuttles for the 35-minute Channel crossing. The contract is valued at about $225 million over the next seven years, so that’s a nice little drop in the bucket as well.

Bottom line

While management has a long way to go to prove Bombardier is yet again open for business, investors should see this as an opportunity to buy a cheap stock before a big jump.

It’s risky, but some analysts are predicting the stock will get back to that $5 range by this time in 2020. That’s not all that hard to believe given that last summer we saw those numbers.

So, let’s forget about getting back to September 2000. Instead, if you were to put $100,000 towards Bombardier today and wait for that $5 share price, you could make another $100,000 once you hit that number and sell.

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Date
2025/07/04
Date Created
2019/04/13
Author
alegatewolfe