



Bombardier, Inc.'s (TSX:BBD.B) Stock Price Tanks: What Should Investors Do?

Description

Bombardier ([TSX:BBD.B](#)) just dropped yet another bombshell on investors, and the market initially responded by sending the stock down as much as 25%.

At the time of writing, the share price is still down 16% from the previous close, and [contrarian](#) investors are trying to decide if they should throw in the towel or buy the dip.

Ongoing struggles

Bombardier has done a good job of convincing the market time and again that it has put its woes behind it and is on track to meet its turnaround targets. Over the past couple of years, investors have given the company the benefit of the doubt a number of times, only to be let down in the next quarterly report.

Last year, Bombardier saw its share price surge from \$3 in early January to above \$5.40 per share in July right after Airbus took official control of the CSeries jet program. Unfortunately, the anticipated wave of new orders for the jets didn't materialize, and Bombardier's revelation in the Q3 2018 earnings report that its cash burn continued to be an issue triggered a stampede out of the stock. The stock eventually bottomed below \$1.70 per share in mid-November.

The company then delivered an upbeat Q4 2018 report, claiming once again it was back on track. This helped the company refinance a chunk of its debt that was coming due, and investors bid the stock back up above \$2.90 in anticipation of more good news in the Q1 2019 report.

Unfortunately, things have apparently gone off the rails again in recent months. Bombardier just reduced its 2019 revenue guidance by US\$1 billion, citing ongoing challenges in the rail division and delays in plane deliveries. So much for a spring bounce.

Production and quality issues have plagued the company's rail group in recent years, including a high-profile battle with the Toronto Transit Commission. Bombardier lost a key bid for a light-rail contract in Montreal last year and Via Rail decided to go with an international competitor for its new locomotives.

These missed opportunities come on the heels of lost bid on projects in Boston and Chicago in the past couple of years.

A recent win in New Jersey helped bolster confidence that the company could still win key contracts, but investors will have to see how things roll out over the next few months.

Should you buy?

Traders with keen timing have done well playing Bombardier's ups and downs in recent years. Investors, however, continue to be let down. Bombardier might eventually get its house in order, and the company has some products that are world class and could drive to company to strong profitability in the coming years.

At this point, contrarian investors should wait for the current downtrend to run its course. Overall, it would probably be best to seek out other [opportunities](#) in the market today.

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aswalker

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