



Bombardier (TSX:BBD.B): Buy the Dip or Steer Clear?

Description

Bombardier ([TSX:BBD.B](#)) stock was down 3.49% at the top of the noon hour on May 6. Shares have plunged 17.9% over the past month. The stock plunged after Bombardier released its first-quarter results for fiscal 2019 last week.

Back in February, [I'd liked Bombardier's price](#) ahead of its Q4 earnings release. Shares went on to post annual highs in March. In the article linked above, I discussed how slow growth broadly and specifically in manufacturing could lead to problems for Bombardier and other top companies going forward.

In late April, Bombardier revealed that it cut its full-year profit and revenue forecasts. This was due to delivery delays in its key railcar-making unit as well as manufacturing challenges on several large projects. Bombardier has long wrestled with delays and disappointments, which has brought about volatility for the stock over the years.

Bombardier cut its revenue target by a whopping \$1 billion to \$17 billion for the full year. Core earnings are now expected to be in the range of \$1.50-1.65 billion compared to original projections, which ranged from \$1.65 billion to \$1.80 billion. Bombardier cuts its full-year revenue forecast by \$750 million for its transportation and by \$250 million for its commercial aircraft business.

The company released its first-quarter results on May 2. Bombardier reported adjusted EBITDA of \$266 million on revenues of \$3.5 billion. Free cash flow usage surged to \$1 billion as Bombardier aggressively pushes forward with its ramp up of the Global 7500 aircraft and key rail projects.

Bombardier leadership reiterated that its core business remains strong in the face of “industrial challenges.” CEO Alain Bellemare cited its \$34 billion backlog. However, Bellemare added that Bombardier would need several more quarters to manage its key projects to completion. This may come as disappointing for investors who had hoped for more smooth sailing, as Bombardier seemed to be in the late stages of its recovery.

Broader headwinds may continue to frustrate investors, as we move towards the midway point of 2019. In late April, I'd discussed warnings from the Bank of Canada regarding slow domestic growth. U.S. Q1

growth was stellar, as was its April jobs report, but the [global situation](#) is worsening. Stocks plunged on May 6 after trade tensions were reignited between China and the United States. In 2019, the International Monetary Fund (IMF) projects that 70% of the global economy will experience a slowdown in growth.

Bombardier still has an exciting pipeline and an enormous backlog that should excite investors. The stock is now trading at the low-end of its 52-week range. The broader economic environment may be troublesome for shareholders, but the stock has not boasted this kind of value since late 2018. Shares had an RSI of 34 as of mid-afternoon trading on May 6, which puts it close to technically oversold territory.

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