Despite Problems, Bombardier (TSX:BBD.B) Stock Should Still Double

Description

Before diving too deep into this article, I'm going to first admit that **Bombardier Inc.** (TSX:BBD.B) is absolutely a risky investment at this point.

After peaking in the mid-$20 range around the millennial, the company almost went bankrupt a few times, with its shares hitting an all-time low of $0.08 per share a couple of years ago.

The stock price isn't much better today, trading at $2.14 at the time of writing. But there's hope yet for this aircraft manufacturer and rail transportation company.

Saved by the Airbus

Airbus and the Canadian government, that is.

During that period of near bankruptcy, Bombardier received a large cash infusion from the Canadian government to help with its C Series development. The commercial aircraft turned out to be a huge failure for the company and was eventually purchased by Airbus for a majority stake.

Now it's true that this means Bombardier won't get the sales that Airbus will see in the future, renaming the C Series the A220. However, it does mean that it instead receives a big chunk of cash to put toward its other projects.

In addition to the money from the C Series deal, the company has been selling assets, real estate, and other unnecessary parts of the business to create a stronger bottom line. Most recently, it sold its component plant in Morocco to a manufacturer.

The manufacturer will continue to supply Bombardier, but the company won't be in charge. It will also shortly sell its plants in Belfast and Casablanca.

Those projects include its smaller aerostructure business, which generates about 75% of the company's revenue from sales. It's also looking to grow its business jet arm of the company, which could provide some huge growth in the very near future.

As for the actual business

First-quarter results proved poor for Bombardier, sending shares down almost 20% in the last month. The results came after the company cut its revenue forecasts and full-year profit due to delivery delays and manufacturing challenges.

The cut was huge at $1 billion, bringing the full year to $17 billion and bringing down earnings to $1.5 to $1.65 billion.

Its adjusted EDITDA was $266 million on revenues of $3.5 billion, with free cash flow at $1 billion, much higher than last year and likely due to the push for the Global 7500 aircraft and rail projects.

So, what about the "double" part?

While the first quarter was poor, analysts believe that this stock is really the lowest it can go. At this price, there aren't too many investors, and even if a recession hits, there won't be a huge sell-off, as the investors aren't really there to begin with.

Basically, this stock is ripe for the picking. As long as it hits its new targets, which seem quite reasonable, the stock really has nowhere to go but up. Should Bombardier meet its deadlines, see any good news from its projects, and even close some deals with its railway segment of the business, the stock could climb even higher.

Currently, analysts believe that in the next 12 months, if the stock continues to post negative results, it'll likely stay where it is. But any good news could double this stock by the next earnings report. So, as I say, if you're looking to get some quick — albeit risky — rewards, Bombardier is the perfect purchase.

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