



Bombardier, Inc. (TSX:BBD.B) Facing More Problems: Time to Ditch the Stock?

Description

Bombardier, Inc. ([TSX:BBD.B](#)) just can't seem to stay out of the press for all the wrong reasons.

The company is now facing a ban from projects financed by the World Bank after allegations of corruption. Bombardier received a show-cause letter relating to a contract that involved providing signalling equipment in Azerbaijan. While it doesn't mean that Bombardier will face any repercussions just yet, the show-cause letter means that the company will likely have to make a case to justify why it shouldn't face disciplinary actions.

The consequences for Bombardier could be significant, as the World Bank could ban the company from being able to win bids on projects that it has backed. It wouldn't put it in good company either, as **SNC-Lavalin Group** has also been blacklisted by the World Bank as well as a result of allegations of bribes being used to win bids in Asia.

Should investors be concerned?

This is just the latest issue facing Bombardier. It's been having trouble growing sales and a ban by the World Bank, if it happens, won't make things any easier. The repercussions could be more widespread for a company that has already had [problems](#) with its reputation impacting its ability to successfully bid for projects.

There's just been little reason for investors to buy the stock, as it has struggled to generate any growth and doesn't have very strong fundamentals. The stock recently crashed after the company [warned](#) investors of a bad Q1 that was on the way. The quarterly results did confirm just that: a big drop-off in sales.

Bombardier's Q1 sales were down around 13% from the prior year. However, the company is expecting to see 10% organic growth for 2019, which would be a big improvement from what we've seen in recent years, although it did also adjust down its forecast for the year by \$1 billion.

These results have unfortunately undone a lot of the progress the stock had been making in 2019, and

year-to-date returns as of Monday's close were now just 5%. The stock is in danger of falling below \$2 a share, as the bears have definitely made an appearance. With market-related factors weighing down North American markets, I wouldn't be surprised to see the stock come close to its 52-week low in the weeks ahead.

Bottom line

While there might be temptation to buy the stock on the dip, the problem is Bombardier sees many dips over the course of the year, and the stock's volatility makes it a risky investment at any point in time. It's been a while since the stock was able to stay above \$3; at this rate, it might take a while before it gets back that high, if at all.

For all its problems, it's hard to see Bombardier as anything more than a speculative buy, at worst, a contrarian play. I'd wait to see some tangible improvement in its sales or some positive developments to show that it's winning over some customers before putting any money into the stock.

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