



Is Bombardier (TSX:BBD.B) a Steal at These Prices?

Description

Bombardier ([TSX:BBD.B](#)) is a Canadian manufacturer of rail equipment and aircraft. The company is divided into two main divisions, Bombardier Aviation and Bombardier Transportation. Bombardier Aviation is made up of business aircraft, commercial aircraft and aerostructures and engineering. The transportation company manufactures and services rail vehicles and equipment.

Unfortunately, Bombardier is notorious for its many issues over the years. It seems every time Bombardier is in the news, it's for all the wrong reasons. Its transportation unit has seen numerous problems over the last few years with malfunctioning trains or late deliveries.

On top of that, the commercial aircraft unit has also had major problems that required loans from the Canadian government. This wasn't enough, though, as Bombardier had to partner with Airbus, allowing it to rename the CSeries the A220 in exchange for support on the project, but it received no compensation for the majority stake it gave up.

Results from first quarter

Business aircraft did \$970 million in revenue during Q1, down from last year, but management stated that just has to do with timing of deliveries. On the \$970 million in revenue, Bombardier converted that to earnings before interest and taxes (EBIT) of \$75 million.

The Commercial aircraft division did \$241 million of revenue in Q1, with adjusted EBIT of \$22 million. The company delivered three CRJ's and one Q400.

The Aerostructures and Engineering division did \$470 million in revenue during Q1, with adjusted EBIT of \$66 million. Most of the revenue in the Aerostructures division comes from internal revenues, since the company builds and designs parts for its own aircraft.

The transportation segment did \$2.1 billion in Q1, with \$83 million in adjusted EBIT, representing just a 3.9% adjusted EBIT margin. Bombardier does expect to increase the margin by year end, targeting closer to 8%.

New Egypt deal

Just recently, it was announced that Bombardier's consortium was chosen as the preferred bidder to build the new monorail system in Egypt. Furthermore, it should also award Bombardier an ongoing maintenance and operations contract.

Assuming this all goes through and actually happens, it would be a major opportunity for Bombardier, as it's a large piece of business. More importantly, though, it could be a great opportunity to help reassure shareholders and potential customers that it has figured out its problems in the rail division.

The new project is estimated to be worth ~€1.2 billion to build the rail and another ~€1.1 billion for the ongoing maintenance and operations contract.

Financials

Although it has finally started to earn a net income, the company still has numerous issues that concern investors. First and foremost, the company still has over \$9 billion in long-term debt on its books. The book value of -\$3.45 a share highlights just how much debt the company has. The continued dilution of shareholders is also a problem.

Lastly, although it's early in the turnaround, it would be nicer to see better cash flow numbers. Although it has a P/E of 10.1, which looks cheap, the price/cash flow of 24 paints a clearer picture of inefficiencies in the company.

Going forward, overall guidance for 2019 has been revised lower. Revenues are now expected at \$17 billion rather than \$18 billion. The company also revised its full-year adjusted EBIT estimates lower from \$1.15-\$1.25 billion down to \$1-\$1.15 billion.

Bottom line

At this point, even with its stock price near its 52-week low, Bombardier still remains highly speculative. The recent allegations of [corruption](#) only add to the issues the company faces going forward. The company still needs to prove it can operate efficiently and needs to reduce its debt load substantially. Until the company can show a meaningful turnaround and really gain investors' confidence, I would steer clear.

CATEGORY

1. Investing
2. Top TSX Stocks

TICKERS GLOBAL

1. TSX:BBD.B (Bombardier)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing
2. Top TSX Stocks

Date

2025/07/06

Date Created

2019/05/28

Author

danieldacosta

default watermark

default watermark