



What Does the Future Hold for Bombardier (TSX:BBD.B) Investors?

Description

Long-time investors are well versed in the peculiar, if not confusing antics of **Bombardier** ([TSX:BBD.B](#)). The beleaguered train and plane manufacturer has had more than its fair share of mishaps in the past few years, with everything from missed delivery windows to project cost and time overruns taking a part in making Bombardier a less-than-stellar investment option.

That being said, the latest announcement by Bombardier may be the reason for some investors to reconsider the company.

What does Bombardier intend to do?

Bombardier is renowned for its trains and planes that operate right across the globe in multiple markets. The aerospace division, in particular, is of specific interest. Bombardier announced the sale of the iconic Q400 program earlier this year after the company unloaded controlling interest of the much-hyped CSeries jet to European behemoth Airbus.

Bombardier is now looking to shutter its regional jet business, which includes the CRJ line of regional planes. The announcement really shouldn't come as that much of a surprise; following the Q400 program sale, all aerospace programs at Bombardier, save for the CRJ, were consolidated into a single division.

Coincidentally, this week also saw the \$250 million sale of Bombardier's turboprop business come to close.

Why would Bombardier do this?

Bombardier had established itself as a key player in the regional jet market over the past three decades, with over 1,900 of those regional jets currently in service around the planet. Still, most analysts are in agreement that a sale of the unit to a potential suitor could provide Bombardier with a windfall of up to US\$680 million, allowing Bombardier to focus on more profitable aspects of its

business.

By way of example, the commercial aerospace unit was forecasted to lose \$125 million this year following declining revenue that stems back years. As of earlier this year, the CRJ program had just 51 firm orders, with 20 jets shipped last year, which was five fewer than the prior year.

On a more positive note, one of the more profitable businesses where Bombardier is already well known and respected is its rail division; the company recently announced a joint bid with Japan-based Hitachi this month for a high-speed rail project in Britain with a price tag of up to US\$3.5 billion.

Bombardier was also recently named the preferred bidder in a US\$3.36 billion monorail project in Egypt, which could represent one of the biggest contracts for the company in years.

Even Bombardier's often-delayed rail projects with Metrolinx and others are finally getting back on track, with deliveries for Toronto's new Crosstown line finally rolling off the production line and being delivered.

That's also not to say that Bombardier's lucrative business jet segment is going anywhere. The company's recently refreshed Global line of jets remains an industry leader, and the recently announced models are sold out for the next few years with a healthy backlog of orders.

What should investors do?

There's no denying the fact that Bombardier is in the midst of a painful turnaround that will mean some products end on the cutting room floor, while others get some much-needed focus and investment. Over the long term, this can only be good for the company and investors, but investors should be aware of the long-term risks associated with investing in the company at this juncture.

In my opinion, a small position in the company is warranted provided that you can tolerate that risk, your portfolio is well diversified, and you're invested for the long term. Otherwise, there are plenty of [other profitable investments](#) in the market to choose from, many of which also provide a [handsome income](#).

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Date

2025/07/06

Date Created

2019/06/12

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