



Bombardier (TSX:BBD.B) Stock Price Bounces 20%: Time to Buy?

Description

Bombardier ([TSX:BBD.B](#)) saw its share price surge from below \$2 to \$2.40 in recent days and contrarian investors are wondering if this is the right time to buy the stock.

Let's take a look at the plane and train maker to see if it deserves to be on your [buy list](#).

Asset sales

Bombardier's days as a player in the commercial plane sector appear to be numbered, however. The company sold a majority interest in its troubled CSeries jet program to **Airbus** last summer.

The deal was initially made to avoid tariffs on orders destined for **Delta Air Lines** that were apparently sold at a significant discount. With the CSeries, now called A220 and controlled by Airbus, the planes can be built at a U.S.-based facility in Alabama.

Bombardier sold its Q400 plane division late last year for about US\$300 million. It also sold its flight training business for about US\$645 million.

The latest pop in the stock price occurred as a result of rumours that Bombardier is now in talks to sell its CRJ regional jet business to **Mitsubishi**. A deal would mean the end of Bombardier's presence in the commercial airline market. The only remaining airplane division would be the private jet business.

The market apparently likes the idea that Bombardier might unload the CRJ group, which used to be the company's flagship business, but is now losing money. Bombardier is carrying US\$9 billion in debt and continues to struggle with cash flow issues.

It eliminated the [dividend](#) in 2016, when the stock dropped below \$1 per share, and despite a surge that saw the stock move above \$5.40 last summer, its troubles continue. The company recently lowered its 2019 revenue target by US\$1 billion primarily due to production and delivery delays in the rail division.

Bombardier's transport group makes light-rail transit vehicles and systems. While the C Series captured most of the headlines in the past few years, the train operations have also struggled.

Bombardier's battle with the Toronto Transit Commission over delayed deliveries on a major streetcar order is well known to investors, and Bombardier might have missed out on key contracts with the city of Montreal and Via Rail last year as a result of the ongoing challenges in the rail group.

In the U.S., Bombardier lost out to Chinese competitors for light rail contracts in Boston and Chicago, so there is pressure outside of Canada as well as in the home country.

Should you buy?

The shares might be an interesting play for traders. Bombardier tends to make large percentage moves on any big news, so there is an opportunity to pick up some nice short-term gains, as we saw in the past two weeks. However, buy-and-hold investors should probably seek out other opportunities today.

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