



3 Reasons Why Bombardier (TSX:BBD.B) Is Beginning to Look Like an Outstanding Long-Term Investment Again

Description

It's been a rough couple of years for **Bombardier** ([TSX:BBD.B](#)), Canada's leading manufacturer of planes and trains, with the company seemingly always in the news but for [all the wrong reasons](#).

Just when things looked as though they were starting to get better, the company found out earlier this spring that it's now facing a possible ban by multinational NGO, the World Bank, following allegations of corruption related to a 500 km section of rail construction connecting Asia to Europe via Azerbaijan, a small eastern European country bordering Armenia and Georgia.

That's just the latest development, though, for a company that nearly teetered on the brink of bankruptcy a little over two years ago, when it was forced to accept an emergency \$1 billion bailout from Caisse de dépôt et placement du Québec.

Most of the struggles leading up to the Caisse de dépôt bailout were the result of poor execution related to its major CSeries program, which was eventually handed over to Airbus last year in an effort to ensure the project has the appropriate financial backing that will enable it to see itself through to fruition.

Then this year, Bombardier announced plans to exit its turboprop business as well, as it cuts 5,000 jobs and streamlines itself into a business strictly focused on the build of trains and business jets.

But while it's been a rocky couple of years for shareholders, who have been patient to a fault, there's reason to believe that the light is beginning to appear at the end of the tunnel.

Excluding currency effects and divestitures, the company is to grow organic sales by 10% this year with guidance for the full year's consolidated adjusted EBITDA reiterated at \$1.50-1.65 billion following the first quarter, implying growth of almost 20% year over year.

For the 2019 fiscal year, BBD expects its transportation business to grow 3.5% year over year, generating adjusted EBIT margins of approximately 8%; meanwhile, it continues to see strong demand for its business aircraft.

Following the end of the first quarter, its business aircraft backlog, led by strong demand for the Global 7500, grew by \$600 million to \$14.9 billion — the highest among its industry group — while aftermarket service revenues continued to grow at a double-digit pace, up 20% for the quarter.

Foolish bottom line

Bombardier stock is notorious for exhibiting wild price swings, so this certainly [isn't the type of investment](#) that would be suitable for the faint of heart.

But at the same time, I continue to believe the that tide is finally starting to turn for this iconic Canadian staple.

I'm thinking if the BBD shares were to fall to as low as \$1.50 per unit, this could begin to look like a really interesting long-term buy-and-hold opportunity.

Making the world smarter, happier, and richer.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:BBD.B (Bombardier)

PARTNER-FEEDS

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

Category

1. Investing

Date

2025/08/18

Date Created

2019/06/24

Author

jphillips

default watermark