



Investors Have Some Options After Bombardier's (TSX:BBD.B) CRJ Sale

Description

There have been bullish calls about holding **Bombardier** ([TSX:BBD.B](#)) for a while now, but today's news is the most encouraging so far. [Bombardier's stock soared 20% earlier in the month](#) amid rumours that it was to sell its Canadian Regional Jet (CRJ) program to Japan's Mitsubishi Heavy Industries.

With news coming through Tuesday that the sale is indeed set to go through, the Canadian aviator is again looking like a buy for transportation fans. However, looking at the share price today, that doesn't seem to be the broad consensus among investors, with only a moderate lift precipitated by the deal. The reason for this could be that the boost in liquidity isn't quite enough to stop investors sitting on their hands.

Should newcomers consider buying a ticket to ride Bombardier?

There are reasons for and against getting invested. On the negative side, it's not a stock for the long-term passive-income investor, having grounded its dividend. On the positive side, traders have an opportunity to grab as the stock soars and jump when it hits its peak. There's also the possibility that the dividend situation could change as the company's fortunes improve.

Bombardier's history in terms of dividends is a decidedly rocky one, however, with the 2005-2009 period seeing distinct turbulence in payments, leading to the eventual shelving of dividends altogether a few years later. This doesn't bode well in the long run if the company were to reintroduce a dividend, taking this option off the table for the time being.

Buying for the sake of trading alone holds some appeal, however, with the depth of one's position coming down to how confident one is in the company's long-term profitability. This is why [deals and sales are so important to this stock](#) and why the news of the CRJ program sell-off should be encouraging. Indeed, this deal in particular could mark a turning point in the stock's popularity, as the program had been a bugbear for investors.

Heavy debt is the main reason investors are staying away, and while sales of poorly performing assets go some way to improving Bombardier's bottom line, its balance sheet still needs a lot of work. Factor in a worsening economic outlook, and you have a risky play with not a lot of obvious or immediate recompense.

On the flip side, a patient investor confident that the outlook will improve may want to focus on Bombardier's market share in the private jet and commercial rail sectors and be less concerned with performance and debt. As we've seen time and again, positive news can make the share price jump, and a big breakthrough deal could cause the stock to really take off with a sustained bull run.

The bottom line

Beyond short-term investment to cash in on a heavily headline-receptive share price, a stockholder would have to be sure that Bombardier would be able to pull the rabbit out of the hat in the next few years. It's missed some key opportunities for deals of late and carries an off-putting debt burden. However, if it can turn its business around, a long-range investment might pay off further along the tracks.

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Author
vhetherington

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