



How You Could Double Your Money by Investing in Bombardier (TSX:BBD.B)

Description

Bombardier Inc ([TSX:BBD.B](#)) is no longer as prominent in its industry as it once was. The firm's share price has been hovering around (mostly below) the \$5 mark for many years, creating a potential for investors. The company isn't just some other penny stock: there may be a real path to prominence for the Montreal-based manufacturer.

Let's see why Bombardier might be ready to deliver some notable returns and how you could profit from it.

Bombardier quits its commercial aircraft business

Cutting costs is always a good way to boost a company's bottom line. Bombardier has been trying to do just that to put itself back on the right path. One way the firm has managed to do this is by cutting jobs. In 2016, Bombardier cut 7,500 jobs, cutting an additional 5,000 jobs last year.

Moral considerations aside, these significant cost reduction efforts may bear fruit in the long-term. However, the aerospace company set its sights on an even bigger target: its commercial aircraft segment. The firm's process to shed this segment from its operations has been in play for a while now.

Last October, Bombardier handed over controlling ownership of its CSeries to Airbus, which came as a bit of a shock to most investors and analysts, but on closer inspection, the sale made sense. While the CSeries family of jets offered several interesting advantages compared to similar competing models, sale of these jets had lagged, and Bombardier was not getting enough bang for its buck.

In short, this segment seemed promising and worth pursuing, but Bombardier was not the right company to pursue this particular endeavor, especially when competing against the likes of Airbus. If you can't beat them, join them.

About a month ago, Bombardier finalized a deal (originally initiated last fall) to sell its Q400 line to **Longview Aviation Capital** for \$300 million. Finally, Bombardier announced that **Mitsubishi Heavy Industries** had agreed to [acquire](#) the CRJ jets. The deal should be finalized sometime in early 2020. With these deals in the rearview mirror, Bombardier is free to focus on its more profitable lines of business.

Could this be the key to Bombardier's recovery?

The fact that Bombardier was willing to sell its CSeries line of jets speaks volumes. Management must be confident in the firm's new direction, as the CSeries was projected to play a major role in the company's recovery. What does Bombardier have up its sleeves?

Perhaps one of the major future growth drivers for the firm will be its Global 7500 aircraft. There have been a lot of superlatives used to describe this aircraft: largest of its kind, farthest flying, roomiest, most multi-purpose, multiple award-winning, most expensive of its kind, etc. One thing is sure, however: the Global 7500 — at about \$75 million a unit — could deliver serious top-line growth for Bombardier.

In another move designed to strengthen the future of this particular venture, Bombardier signed a deal in January to acquire the Global 7500 wing manufacturing operations and assets from **Triumph Group Inc.** According to the company, this acquisition will strengthen its position as an aero-structures manufacturer and secure the production ramp-up and long-term success of the Global 7500 aircraft.

As of December 2018, Bombardier had about \$14.5 billion in order backlog for its business aircraft segment. While it isn't clear how much of this stemmed from orders of the Global 7500 (it only entered service in December), the firm seems confident that more orders are coming its way, hence the focus on ramping up manufacturing of its prized jewel.

How you could benefit

Bombardier has not only managed to decrease costs by cutting jobs and stepping out of its commercial aircraft segment, but the firm has also found a new avenue on which to focus — one that could be a major cash cow in the future. Of course, nothing is guaranteed, and these efforts could end up falling flat. But for those investors looking to take a little risk, it might be worth taking a closer look at the Montreal-based company.

Bombardier is trading for about \$2.28 a share at writing, and analysts' estimates set a price target for the company's stock that would represent a 90%-100% increase from its current levels. In other words, investors could double (or nearly double) their money by taking a chance on the company now. Again, there are no guarantees in life, but Bombardier is increasingly looking like an interesting option.

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