



Should You Buy Bombardier (TSX:BBD.B) Stock Before Q2 Results?

Description

While it's important to maintain a long-term outlook, quarterly results can make or break a stock in an instant. **Bombardier** ([TSX:BBD.B](#)) has had several instances that saw the stock pop or drop 30% in a single session due to an earnings release.

Bombardier stock is currently in a precarious place. On August 1, management will reveal second-quarter results. There's the potential for the stock to move wildly based on the revelations. Should you be buying ahead of the big move?

Quick update

Before we move on to what may happen in the second quarter, as well as how much the stock could pop, it's important to review what happened last quarter. There were some scary items reported by management.

A few days before management reported first-quarter earnings on May 2, executives disclosed some troubling news. They slashed their profit and revenue forecasts, much of which was due to project delays and lumpy aircraft deliveries.

Projected 2019 revenues fell by US\$1 billion to US\$17 billion. EBITDA forecasts dropped from roughly US\$1.73 billion to US\$1.58 billion. The stock plummeted 15% on the news.

This news completely overshadowed the upcoming earnings announcement. Investors were no longer worried about the past three months of performance. Instead, they were left wondering whether Bombardier would ever stage a comeback, something that had been expected for years.

Today, shares remain depressed with low expectations. The stock price is just \$2 apiece with a market cap of only \$5 billion.

Play the sentiment

Warren Buffett often advises to sell when others are greedy and buy when others are fearful. Bombardier stock is currently the epitome of fear. Investors are losing faith in the company, especially after it rescinded its annual forecast.

Plus, on the first-quarter conference call, management also revoked its 2020 financial goals, which included revenues reaching \$20 billion. CEO Alain Bellemare is supposed to revise the targets by year-end.

Here's where things get interesting. Sure, management failed to meet its financial targets, but the underlying business is still on the rebound. Short-term disappointment is masking a very real shift in fundamentals.

This year, analysts expect the company to post an annual loss. But next year, they anticipate EPS of \$0.15. That pegs the stock at 11.3 times forward earnings.

Plus, EPS should grow steadily, potentially by the double digits through 2023. The sector median is growing by around 10% annually, so don't be surprised to see Bombardier hit that target.

A worthy bet

Bombardier's valuation seems to have bottomed out in recent weeks, but investors are clearly not expecting much from this oft-maligned stock. If Bombardier hits the earnings estimates above, there could be 50% or more in upside over the next 12 to 24 months.

Even if it posts a terrible quarter, it's not clear that the current valuation would take much of a hit. This looks like a worthwhile [asymmetric bet](#).

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