



Bombardier (TSX:BBD.B) Stock Is Near a 52-Week Low: Is it Time to Buy?

Description

The S&P/TSX Composite Index dropped 122 points on August 6, and it came as no surprise after U.S. indices were routed to start the week. Canadian energy stocks have been pummeled to start the month of August. Many of the top Canadian staples are taking a beating, including the stock we will focus on today.

Bombardier ([TSX:BBD.B](#)) looked like a [promising target](#) around this time last year. The company seemed well on track to complete its demanding turnaround, and excitement was high ahead of its Global 7500 Series roll out. This enthusiasm sparked momentum for the stock that it had not experienced since the first half of the decade.

The stock rose 1.62% on August 6. However, shares have dropped 17% over the past month. The company's stock has struggled mightily since the late spring. Shares plunged sharply after the August release of its second-quarter 2019 results.

The company reported a larger-than-expected quarterly net loss of \$36 million, or \$0.04 per share, down from net income of \$70 million, or \$0.02 per share, in Q2 2018. Bombardier reported more disappointments in its rail division, which has been the source of headaches for investors in recent years. Its adjusted EBIT margin was 5.1%, weighed down by cost pressure on large, late-stage projects. Bombardier continues to wrestle with rail contracts in its massive \$33.6 billion backlog, but the company reiterated that market outlook in this sector remains strong.

Bombardier reduced its adjusted core earnings forecast for 2019 to a range of \$1.2 billion to \$1.3 billion. This was down from its previous forecast that ranged between \$1.5 billion and \$1.65 billion. It is a disappointing setback for Bombardier as it looks to divest from its aerospace programs and lean into its jet and rail divisions. "We have retired major risk," CEO Alain Bellemare said in the earnings call.

Some good news did follow this week. A consortium led by Bombardier won a contract to build and operate two monorail lines in Egypt for upwards of \$4.5 billion. This would represent one of the largest contract wins in recent history for Bombardier. The consortium will hold onto operation and maintenance duties for 30 years.

This is not the first time Bombardier stock has suffered from operational setbacks. Still, the company boasts an enormous backlog and has managed to squeeze cash out of poorly performing assets in its aerospace business.

Is Bombardier a buy today?

Bombardier stock had a price-to-earnings ratio of 15.8 as of close on August 6. Shares had an RSI of 32 at the time of this writing. This puts Bombardier stock just outside technically oversold territory. Bombardier stock looks like great value today, but there are macro factors to consider. Trade tensions and slowing growth are sounding alarm bells, and the airline industry has historically been very vulnerable during recessions. Investors should take this risk into account if they intend to bet on Bombardier.

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