



Where Will Bombardier (TSX:BBD.B) Be in 5 Years?

Description

It's been a rough two decades for **Bombardier Inc.** ([TSX:BBD.B](#)), but the last five years have been especially hard on investors who have decided to give this once mega-giant stock a chance again.

After climbing up to \$5.20 per share back in June 2018, the stock has sunk lower and lower, now trading at \$1.73 per share as of writing.

The drops again and again have many investors wondering whether it's time to give up on Bombardier once and for all before it goes below \$1 once more. This time, the government might not be able to bail them out.

Yet still others wonder if this is a fantastic turnaround opportunity, where the patient investor could see their stocks get back to that \$5 range and make some serious bank.

So let's take a look at what Bombardier has in the works for the next five years, and whether it's worth being added to your watch list.

So long, aerospace

Bombardier has made a shift over the last few years, with its renewed focus on its jet and rail divisions and shift away from aerospace. Aerospace can be a risky business, and the company hopes this new focus will offer stronger recurring revenue.

The company has been building up a number of contracts around the world, most recently winning a contract to build and operate two monorail lines in Egypt for the next 30 years.

The total cost will come to \$4.5 billion — a huge win for the company and one of the largest in recent history.

This is in addition to the company's recent monorail projects, with its Innovia Monorail 300 system already operating in Sao Paulo, Brazil since 2014, and two under construction in Bangkok, Thailand

and Wuhu, China.

CSeries disaster

After Bombardier sold its CSeries program to Airbus, it was seen as a huge win for the company. And at the time it was. However, that money has now come and gone.

After \$1 billion from the Quebec government, and \$722.5 million from the federal government, Bombardier had still lost too much and was forced to pretty much give a majority partnership to Airbus in 2016.

Bombardier will continue to be a strategic partner until 2025, but the CSeries will now be called the A220.

Financial disaster

Quarter after quarter this company has disappointed investors, with its most recent second quarter report coming in with more bad news.

Net loss came in at \$36 million, and reduced its forecast for 2019 from \$1.65 billion all the way down to as low as \$1.2 billion. The company also announced last month it would lay off half of its 1,100 workers at its Thunder Bay, Ontario manufacturing plant.

Much of this comes down to the ongoing issues the company is having with its rail projects. Its troubled rail equipment has resulted in higher costs for the company, with this division facing US\$300 million in additional expenses to make sure it can deliver trains on time to Germany and the United Kingdom.

This should burn right through the company's US\$250 million cash flow.

2020 and beyond

Where Bombardier hopes to improve is beyond 2020, especially with its Global 7500 business jet program.

Once these deliveries begin, Bombardier hopes the backlog of these jets could bring in the money they need to get back into the black, expecting to deliver between 15 and 20 next year at US\$73 million per plane.

For those who are hopeful that the company might finally be nearing the end of its tragedy, I give one more word of warning.

This stock has consistently performed poorly in recessions, or even during just a market downturn. Hitting [below \\$1](#) per share is definitely not off the table, so I would wait until it looks like a recession has passed before even considering this stock.

Beyond that, Bombardier still has a lot to prove and it could be years before there's any real hope.

The Egypt project is a start, but I wouldn't consider this stock until Bombardier at least starts delivering Global 7500s – a new project that will likely see some success.

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