



## Could Bombardier (TSX:BBD.B) Stock Rise in 2020?

### Description

**Bombardier** ([TSX:BBD.B](#)) has been one of the worst-performing TSX stocks of the century to date. Peaking at \$26 in 2002, it has since fallen to \$1.72 — a stunning 92% decline.

The company, which was once a leading plane and train maker, fell on hard times thanks to ballooning debt and a bungled aircraft launch. More recently, it has been trying to strengthen its balance sheet by selling struggling business units and cutting jobs.

Although such initiatives can improve profitability in the short run, they can also impede growth, leading to questions about whether Bombardier will ever return to its former glory.

As of September, it's looking like 2019 will go down as another bad year for Bombardier. However, there's still the possibility that the company could turn it around in 2020. Before asking whether that will be the case, let's look at how Bombardier got to where it is today.

### Reasons for Bombardier's dramatic decline

Bombardier's financial woes date back to 2002, when the company embarked on a major recapitalization program that including selling its recreational products business to Bain Capital for \$1.2 billion.

Although the sale helped the company trim the fat on its balance sheet, it also deprived it of a valuable asset: Bombardier Recreational Products went on to be a huge money maker for Bain.

A little over a decade later, Bombardier ran into trouble in the form of its CSeries Jet fiasco. The project was initially estimated to cost about \$2 billion, but encountered a number of delays and cost overruns. By the time it was all said and done, the project wound up costing US\$6 billion.

Naturally, this loaded up Bombardier with debt, which it had already been struggling with. To make matters worse, delivery delays impeded the company's ability to sell the aircraft, which reduced the project's projected revenue. By the time it was all said and done, Bombardier [handed over 50.1% of the project to Airbus](#)

, which is now marketing the aircraft.

## How it could turn around

Bombardier's CSeries project left it weighed down with debt, which it is trying to pay off. To that end, it has embarked on a program of cutting jobs and selling business units. Last year, the company controversially laid off 5,000 employees, with more layoffs following this year.

The company also [sold its money-losing commercial aviation business](#) to Mitsubishi this year. These projects have certainly saved some money; however, they probably won't increase profitability that much in the long run.

## Why it probably won't

Cutting costs can be an effective short-term way to boost profits, and to its credit, Bombardier did manage a few profitable quarters last year. However, simply selling business units doesn't fuel revenue growth — in fact, it may impede it. When you sell a money-losing business, you cut your losses and reduce future debt, but you also cut off the ability to drive future growth by turning things around.

Unfortunately, such cost cutting appears to be Bombardier's biggest strategic initiative for the time being. For this reason, I'm not expecting big things from the stock in 2020.

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