Bombardier (TSX:BBD.B) Stock Has Crashed About 30% in 3 Months: Should You Buy the Dip?

Description

When **Bombardier** (TSX:BBD.B) released its quarterly results back in August, the stock saw a big drop in its share price, and it's gone on to fall even lower since then. Heading into this week, the stock is still trading near its 52-week low. The one question that some investors, especially those focused on value, might be asking, is whether or not the stock could be a cheap buy at its current price.

Let's take a close look at whether the stock is a bargain or if it's still too risky to invest in Bombardier today.

Lots of controversy and instability over the years has made the stock a high-risk investment

One of the biggest problems investing in Bombardier today is that the company has faced a lot of problems over the years, and those issues haven't gone away.

In its most recent quarterly earnings report, the company, despite having made efforts in the past to improve its operations, had to adjust its forecasts down, again. For investors, this is a big problem, because either the moves that the company has been making haven't been as good as management has expected, or its forecasts weren't complete or accurate enough to begin with.

Either option is a concerning one, because there's nothing quite like a more negative outlook for the future that can send a stock crashing, even if it beat earnings during the quarter. Even a small change can have a big impact on the company's bottom line, especially since Bombardier doesn't typically see large margins to begin with. Last quarter, the company posted a loss, and prior to that its profit margin was 5.5%.

There's just not a lot of room for error for Bombardier to post a profit, and that has made its financials very unpredictable, and so it's no surprise that the stock has been so volatile over the years. And although 2019 was looking like it might be an improved year for the company, year to date the stock is down more than 20%.

Is there enough value there to make the stock a buy?

Despite its challenges, Bombardier has seen improvement over the years with its financials no longer being consistently in the red. After all, a low profit margin is still much better than a negative one. And trading at around 0.2 times its sales, the stock isn't valued very high given the level of revenue it has been able to generate. While its price-to-earnings multiple of 17 is a bit expensive for a stock with this amount of risk, had it not been for its most recent quarter, that multiple would be a lot better.

Over the long term, Bombardier stock could prove to be a very good buy at the price that it's at today. I wouldn't be surprised if it were to double in value, but its volatility makes the stock a less-than-ideal option for investors that aren't prepared to hang on for years, which is how long it may take for the company to prove that it's turned things around and that it's a more stable investment to make.

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djagielski