Down 40% in 2 Years: Is Bombardier a Cheap Stock to Buy Today?

Description

Bombardier, Inc. (TSX:BBD.B) has had a tumultuous couple of years on the markets. From selling its CSeries jets to many disappointing quarterly results, investors have been more than just a little wary of investing in the stock.

It's been so bad that Bombardier has lost nearly half of its value in just two years' time. In the summer of 2018, Bombardier stock was over $5 a share. Today, however, it struggles to stay above $2.

Is Bombardier cheap, or just a value trap?

Although the stock trades at only around 0.3 times its sales and is at a very low price, there are some significant concerns that investors should have about the company. The first and perhaps most important is its credibility within the industry itself.

Earlier this month, the New York Metropolitan Transportation Authority (MTA) said that it was pulling approximately 300 of its subway cars as a result of problems with their doors, which were supplied by Bombardier. Andy Byford, President of New York City Transit, said, "We intend to hold the company fully accountable." New York City Comptroller Scott Stringer said that "Bombardier sold us lemons."

Bombardier, meanwhile, turned around and blamed Chinese company Kangni Mechanical & Electrical Co Ltd, which it says supplied the doors.

Either way, it's yet another black mark for Bombardier. Negative press can not only turn off investors, but also prospective customers as well, who may be concerned about the quality of the company's products.

What's troubling is that this isn't a new development, and Bombardier has had problems in the past with not just quality, but also failing to deliver its products on time. Investing in a company that doesn't produce quality products that customers aren't happy with is going to be a risky investment regardless of its trading multiples.

The company has incurred a net loss for two straight quarters, and Bombardier hasn't been generating significant growth. It all leads back to a business with some very significant problems that may not be fixed anytime soon.

Bottom line

As tempting as it may be for investors to buy a stock that looks to be cheap and that may have bottomed out, it can be a very risky strategy. Bombardier is still not at its 52-week low, and there's definitely room for it to continue to fall in value.

Lacking any reason to believe that the company has turned things around, investors shouldn't be convinced that its share price will turn around just because it has been crashing.

There are many question marks surrounding Bombardier and its future — and whether it can grow its sales and improve its image. Unfortunately, with the company continuing to struggle to perform and meet customer expectations, it still has a long way to go before it becomes a good long-term investment again.

If customers are unhappy, that's a bad sign for the business and a reason for investors to stay away, especially in Bombardier's case, where these aren't isolated issues.

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