



## \$1,000 Invested in Bombardier (TSX:BBD.B) Stock in 2019 Is Worth This Much Today

### Description

The broader markets are trading just below record highs. The S&P/TSX Composite Index is up 12.3% since the start of January 2019. However, there are several stocks that have grossly underperformed indexes and burnt significant investor wealth.

One such company is **Bombardier** ([TSX:BBD.B](#)). People who invested \$1,000 in Bombardier at the start of 2019 would have \$724 today — a decline of 27.6%. Bombardier shares have been volatile, to say the least.

It rose from \$2 in December 2018 to \$2.84 in March last year before losing substantial value to trade at its current price of \$1.47. In the last five years, Bombardier investors have lost close to 50% in market value.

### Is Bombardier a contrarian buy or a value trap?

Bombardier has had a pretty bearish start to 2020. The stock fell 36% in January this year after the company released [preliminary fourth-quarter results](#). In Q4, Bombardier reported sales of \$4.2 billion, below consensus estimates of \$4.6 billion. In the fourth quarter, its Transportation business sales came in at \$1.8 billion, almost 20% below consensus sales estimates of \$2.21 billion.

The company attributed the tepid revenue to the timing of payments and the delivery of four Global 7500 aircraft that got pushed to the first quarter of 2020. Shortly after Bombardier's announcement of its Q4 results, top credit rating agencies such as S&P and Fitch [lowered their outlook for the company](#). The outlook was lowered from stable to negative on concerns over the company's weak outlook, high debt level, and lower profit margins.

In the December quarter, Bombardier reported an adjusted EBIT loss of \$230 million, while free cash flow was down by \$650 million. At the end of Q3, Bombardier had a cash balance of \$2.46 billion and a debt balance of \$10.37 billion. Its operating cash flow stood at -\$464 million.

Bombardier's joint venture with Airbus is under threat, as the partnership is in severe need of capital infusion, a luxury the former can ill afford. On January 28, Germany's **Deutsche Bahn** refused to purchase 25 trains from Bombardier due to technical defects, according to a *Reuters* report. This train order has been estimated at \$444 million and can hit the company's bottom line pretty hard in 2020.

## Can Bombardier stock move higher in 2020?

Bombardier is looking to reduce the debt burden and accelerate principal payments to de-lever its balance sheet. In late 2019, Bombardier decided to sell-off its aerostructure business for \$500 million to focus on core segments and reduce debt.

However, Bombardier is also aiming to revamp its Transportation segment and will pump in about \$250-\$300 million in new costs and capital expenditures. The company is grappling with slowing sales and a skewed capital structure.

Bombardier has been bailed out by the Quebec government once and is a company with pretty weak fundamentals. It has time and again disappointed investors, and the stock has now lost over 94% in market value since its record price of \$25 back in 2000.

At best, Bombardier stock looks like a solid momentum play. But as we know it is almost impossible to time the market, and investors can continue to lose significant wealth, even in the short term.

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