



Here's Why You Should Dump Bombardier (TSX:BBD.B)

Description

Bombardier ([TSX:BBD.B](#)) never fails to disappoint. The beleaguered train and plane manufacturer is back in the headlines, with reports surfacing of talks to sell its once wildly popular rail division. Ironically, that's not the only headline worth mentioning. Bombardier is also in talks to sell its remaining stake in the lucrative program once known as the CSeries, (which it invested billions in) and is also pursuing a sale of its business jet segment (which the company also heavily invested in).

Bombardier has a decision to make

It's no secret that Bombardier is heavily in debt. The \$10 billion in debt that the company owes is nearly three times the current market cap of Bombardier. Further to this, all of the company's previously announced revenue drivers now have "for sale" signs plastered over them, which doesn't bode well for prospective investors looking for a turnaround.

Bombardier's Berlin-based rail unit could fetch billions, and the segment has over \$35 billion in its project backlog. While that sale would eliminate billions in future revenue, it would provide much-needed cash to pay down that swelling debt.

Why would Bombardier sell something that so much potential? The very public rejection of contracted trains by prominent Bombardier customers in both London and New York may weigh in on that decision. Germany-based Deutsche Bahn AG recently added itself to the list of disgruntled Bombardier customers when it refused to take delivery of 25 trains valued at \$440 million.

The list of suitors is small, and pundits speculate that ongoing talks with a European rail outfit would, if they come to fruition, establish one of the largest train manufacturers on the planet, and trigger a bevy of anti-trust lawsuits. That may be why Bombardier is also looking to sell its business jet segment, with talks progressing on that front, too.

This isn't the first time Bombardier has held a fire sale

Over the past two years, Bombardier has jettisoned the CSeries program, offloaded the Downsview facility in Toronto for \$635 million, sold its CRJ program for US\$550 million, and offloaded its once-lucrative turboprop business for \$250 million.

In other words, long-time followers of Bombardier might not be as surprised if an announcement comes along soon that one of those last remaining segments is the next to go.

Turning to results, Bombardier is set to announce fourth-quarter results for fiscal 2019 tomorrow. Last month, the company issued a statement noting that the results would be lower than expected, with ongoing rail project challenges cited as the reason.

Final thoughts

Offloading a lucrative segment that you no longer have the ability to support or [shifting your business model](#) takes courage. Unfortunately, in the case of Bombardier, the company has not only offloaded plenty of lucrative segments over the years but is now potentially planning to sell one of its two last remaining segments and has little show for it.

Additionally, worth noting is that those segments were touted as future revenue drivers for the company. A sale might bring an injection of capital to slash its debt, but it would come at a huge cost of greatly reduce future revenue.

In my opinion, potential investors would be best served by looking [elsewhere](#) to invest.

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