



Bombardier (TSX:BBD.B) Stock Price: Should You Buy the Shares Right Now?

Description

Bombardier ([TSX:BBD.B](#)) just made a major announcement and [contrarian](#) investors are wondering if more big news could be on the way in the coming weeks and months.

2019 earnings and results

Bombardier reported a loss of US\$1.61 billion for 2019. On an adjusted basis the company lost US\$396 million, or \$0.25 per share. Revenue slipped 3% compared to the previous year and Bombardier burned through US\$1.2 billion in cash.

As of December 31, the company had cash and cash equivalents of US\$2.6 billion and available credit facilities of US\$1.3 billion, bringing total available short-term capital resources to US\$3.9 billion.

Overall, it was a disappointing year for Bombardier and its shareholders. The company reduced revenue guidance significantly during the year citing ongoing difficulties in the rail and plane divisions.

The stock price effectively finished the year where it began, near the \$2 per share level.

News

Bombardier just announced its plan to exit the commercial aerospace market. The company is selling its stake on the A220 jet program, formerly CSeries, to **Airbus** and the Quebec government. Under the terms, Quebec will increase its stake to 25% and Airbus will control 75% of the division.

The agreement provides Bombardier with US\$600 million in cash from Airbus and allows the company to avoid another US\$700 million in costs that would have put additional pressure on an already tight cash situation.

Bombardier is taking a US\$1.6 billion charge related to the the program which ran years behind schedule and billions of dollars over budget before a majority interest was transferred to Airbus in the

summer of 2018.

Airbus has agreed to keep the 3,300 Quebec-based jobs connected to the A220 in the province.

This completes Bombardier's exit from the commercial aircraft business. The company already sold its Dash 8 turboprop unit and the CRJ regional jet program.

Trains?

Bombardier is now rumoured to be in discussions to sell its rail division to **Alstom**. The train group has had its share of difficulties in recent years with delayed deliveries and manufacturing problems. The public battle with the Toronto Transit Commission on its streetcar order might have contributed to the loss of key contract bids in Canada and the United States.

Bombardier lost transit deals in Boston and Chicago to Chinese competitors. At home, Montreal gave a large contract to Alstom and Via Rail ordered new trains from **Siemens**.

The two European competitors tried to merge their rail operations last year but regulators blocked the deal. This has led to speculation that Bombardier could join forces with Alstom.

The rail division is part-owned by Quebec's provincial pension fund as a result of a cash infusion made to help prop up Bombardier's balance sheet in 2016. Bombardier's stock dipped below \$1 per share in the early part of that year amid concerns the company might be forced to seek bankruptcy protection. The board eliminated the [dividend](#) and brought in new management to run the business.

Debt

Bombardier finished 2019 with long-term debt of US\$9.3 billion. There is US\$1.48 billion due in 2021 and another US\$1.7 billion coming due in 2022. Bombardier will have to issue new debt to cover these and that could be expensive.

Investors will likely want a large premium for taking on the risk of lending the company more money.

Should you buy Bombardier?

The stock currently trades at \$1.60 per share. The share price hit a low of \$1.10 in January and bounced as high as \$1.70 in recent days.

Traders might be able to pick up a quick gain on news of rail deal, if one emerges, but buy-and-hold investors should probably avoid the stock.

Ongoing volatility should be expected and the recent trend appears more like a liquidation of assets to stay afloat rather than a strategy shift that will right the ship.

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Author

aswalker

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