



WARNING: Bombardier (TSX:BBD.B) Stock May Sink to \$0!

Description

Bombardier Inc ([TSX:BBD.B](#)) has been one of the worst-performing **TSX** stocks of the 21st century. Trading at \$25.60 in October of 2000, it sits at just \$1.28 at writing—a stunning 95% decline. If you had invested \$10,000 in Bombardier at its peak price in 2000 and held on until today, your shares would be worth a paltry \$500.

Bombardier's track record over the last two decades has been abysmal. What's worse, it may not be over. As you're about to see, there are developing trends that could send Bombardier shares even lower, potentially as low as \$0—or more realistically, bankruptcy or de-listing.

While it's not guaranteed that Bombardier shares will actually fall to a market price of \$0, they could be removed from the TSX if the stock price falls low enough—which would have the same effect for most shareholders.

I'll explore how that could happen in just a minute. First, though, let's take a close up look at the headwinds Bombardier is facing.

Mounting GAAP losses

The biggest problem facing Bombardier right now is its rapidly increasing net losses. In its most recent quarter, the company lost \$0.74 per share, down from a \$0.02 profit in the same quarter a year before. The loss was largely due to a "special item" (impairment on ACLP investments) that cost the firm \$1.5 billion.

However, even taking that out of the equation, we get a \$66 million adjusted EBITDA loss in Q4 and a \$680 million net cash outflow from operating activities for the full year 2019 not exactly encouraging stuff. But wait — there's more!

Asset divestitures

One of the big problems Bombardier is dealing with right now is a high debt level. The company has a market cap of just \$3 billion, yet its debt level is over \$9 billion. This results in huge interest expenses that eat into the company's earnings. Obviously, something has to be done about this.

So far, the company has responded by selling off large business units to raise cash. Most recently, the company [sold its train making unit to Alstom](#) for \$8.2 billion and its [C Series jet stake](#) to **Airbus** for \$591 million. That latter sale is for a program that cost Bombardier over \$6 billion to develop!

While the pre-tax proceeds of these deals gives Bombardier almost enough money to pay off its debt, it's not clear how the company is going to grow its earnings when it's selling off large business units left and right.

According to a recent *Financial Post* article, Bombardier's corporate jet business is the only unit it has left. If that's sold, what business is there left to speak of?

How Bombardier could be delisted

In a worst-case scenario, Bombardier could find itself in a situation where it gets delisted or has to declare bankruptcy. While that might seem unlikely, there are definitely some scenarios that could take it there.

For one thing, if the company's remaining corporate jet business ends up losing money long term, there may be no option but to sell it or declare bankruptcy.

Should that occur, it would be unlikely that common stockholders would recover anything. The company's previous asset sales provided enough funds *pre-tax* to pay down its debt, but it's not clear how much money the company will get after tax, so it's possible that Bombardier could go bankrupt while having only enough cash to settle bills with creditors and preferred shareholders.

In that event, the effect on common shareholders would be the same as the stock falling to \$0. Additionally, if the company's stock continues free-falling and drops below \$0.01 per share, it could be de-listed from the TSX — not a ship I'd be particularly eager to go down with.

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