



Why the Bombardier (BBD.B) Stock Price Fell More Than 15% in February

Description

February was a difficult month, and, like you, I am attempting to uncover the [best value opportunities that are emerging in these chaotic times](#).

The biggest reason for **Bombardier's** ([TSX:BBD.B](#)) stock price falling more than 15% in February was the general market sell-off that was triggered by the coronavirus fears. But, as we all know, with Bombardier, there are many other good reasons for the fall.

Bombardier announces sale of Transportation division

As expected when Bombardier announced that it would be exploring “strategic alternatives,” the company has made big changes. In keeping with its intention to deleverage and narrow its focus, February saw the company announce the sale of its Transportation division to French transportation giant Alstom for \$8.2 billion. In its final major strategic move, Bombardier announced this with the hopes that the new slimmed-down version of the company can move on without being saddled with excessive debt and without past failures tainting what the company sees as a bright future in business aviation and its strong position in the business jet market.

Management would like us to focus on the fact that Bombardier's \$7 billion business aircraft franchise is currently seeing a rapidly growing aftermarket business, a strong backlog, and opportunity for strong future growth of its leading position here.

Bombardier completes exit from commercial aviation

February also saw the completion of the sale of Bombardier's commercial aviation division. Although this is not a stock price-moving event, it serves to help investors move forward and come to terms with the fall of this once industrial giant. To begin to truly value the stock within this new reality, investors must close the chapter of its past.

Bombardier's exit from commercial aviation was completed with the sale of its ownership in the Airbus

Canada Limited Partnership. Bombardier's stake in the A220 (formerly known as the CSeries) business has been sold and its involvement in its infamous CSeries jets has finally come to an end. Given the cost overruns and production problems that have plagued this program, this can only be seen as a good thing. It's not an ideal situation but a necessary course of action. Bombardier will receive \$1.6 billion in cash from this divestiture and will be off the hook for future capital requirements, improving Bombardier's liquidity markedly.

Bombardier's deleveraging success fails to excite

It's nice to be able to talk about Bombardier's success for a change. With these two major transactions, the company will effectively leave the company with only \$2.5 billion in debt (compared to more than \$6.5 billion in debt at the end of 2019), and the company's debt-to-EBITDA ratio will be a reasonable 2.5 times.

Bombardier stock price closes in on penny-stock status

With the sale of yet another one of the company's major divisions, Bombardier has effectively become a speck of what it used to be in its glory days. Bombardier's stock price has certainly reflected this, as it has plummeted from highs of over \$25 two decades ago to the current share price of just over \$1.00 — a pretty shocking and dramatic fall, and an example of the perils of investing and of capital-intensive, highly competitive businesses.

Foolish bottom line

It is difficult to really forecast Bombardier's future with a high degree of certainty, as Bombardier's history shows. The stock remains speculative, and even for those investors who are ready for a [high-risk/high-reward opportunity](#), in my view, there are other, more promising stocks to consider.

In closing, I would like to remind Foolish investors of our belief in holding great businesses for the long term. While this belief remains intact, we are also aware that sometimes, short-term stock price movements create opportunities to create wealth. By blending this long-term focus with a keen eye for short-term stock mispricings, we can use both strategies in harmony, and our quest for financial freedom can be fulfilled.

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