



Is Bombardier (TSX:BBD.B) Stock an Upside Machine in Disguise?

Description

It's not hard to see why pundits are generally bearish on **Bombardier** ([TSX:BBD.B](#)). The aviation giant has performed especially poorly so far this year. In fact, it's one of the worst stocks on the TSX in 2020 so far. The **TSX Composite Index** has lost 23% since January. Down 78% in the same period, Bombardier has underperformed the market by almost 3.5 times.

A dirt-cheap side bet for long-term upside potential

But don't wait for the bottom to buy. The bottom is impossible to see right now, with a recession likely and a depression possible. Divide the number of Bombardier shares you eventually want to own by about four or six smaller purchases. Then [buy incrementally on increasing weakness](#). This will allow you to build your position at decreasing cost while keeping capital risk low.

Then again, you might want to take the point of view that Bombardier's hit the bottom. At \$0.43 a share, this aviation name is trading below its low target price of \$0.50. It's median target price of \$2 is looking a long way off but gives some indication of the upside potential in the long term. Bullish investors may even want to hold Bombardier's high target price of \$3.50 in mind.

Be sure of your entry and exit points and don't buy or sell until the stock meets those thresholds. Bombardier certainly deserves a look for its value and upside potential. Investors may want to pick up some shares at its current valuation and hold out for further weakness.

Bombardier is in penny-stock territory

Revenue misses, suspension of guidance, and a halt on Canadian operations do not exactly inspire confidence. Just one of a swathe of companies furloughing workers, Bombardier isn't looking all that solid right now. The company is essentially betting the farm on a single market: business jets. Bulls may want to bet on government support. Efficiency and a stripped-down base could [add up to a buy](#).

Perhaps investors should be pleased that Bombardier quit the commercial jet business and sold its rail

segment. Neither outfits were particularly working in Bombardier's favour. The storied aviation company can now concentrate on a maneuverable, stripped-down business model. And would-be shareholders can at least rest assured that government assistance could be forthcoming.

Bombardier has essentially become a penny stock. It could drop even lower. Pundits are split between calling it a falling knife and eyeing the potential for bankruptcy. But with masses of upside potential, this historic aerospace name could reward the bold value investor. Bombardier's balance sheet is on course for looking considerably healthier. Now it just needs to pull in some game-changing deals.

The bottom line

Paying down debt could see investors come around in a post-coronavirus world. If Bombardier can muddle through the next 18 months, shareholders could see significant upside. An end-of-year rally could see investors return to Bombardier. In the meantime, a few big deals could keep this stock in the air. With its low target price now in the rear mirror, Bombardier could be a potential upside machine.

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