



Down 80% in 12 Months: Is Bombardier (TSX:BBD.B) Stock a Bargain or Bust?

Description

Entering this week, shares of **Bombardier** ([TSX:BBD.B](#)) were trading below \$0.50 per share. It was only a year ago that the stock was around the \$3 mark. And the last time that Bombardier stock fell below \$1 was in 2016. It didn't take long after that for it to recover back then, and the stock would go on to soar to more than \$5 a couple of years later.

However, it's a stretch to believe that it can follow a similar path this time around. Even if you're willing to hang on for a long time frame, that's not a guarantee that your investment will rise in value; Bombardier has [been anything but a good long-term investment](#).

Company's decision to focus on aviation has only made things worse

In February, Bombardier announced that it was selling its rail business and would "focus exclusively on business aviation." Just a month later, that would prove to be a catastrophic decision. Airline stocks are tanking, as people aren't traveling due to the coronavirus pandemic. The company would eventually end up suspending its financial guidance for 2020 in light of the uncertainty ahead for the economy.

Bombardier halted production in March, but earlier this month it said that it would be looking to resume some operations at its Toronto plant on Apr. 27. But with air travel being scarce these days and for the foreseeable future, there may not be much demand for the company's business jets. Businesses around the world are looking to cut costs however they can, and buying jets is likely low on the priority list moving forward.

Is the stock headed for more of a decline?

One of the biggest challenges with Bombardier is assessing where its price should be. The company has undergone many changes over the past few years, it struggles with profitability, and it has a negative book value. Investors can't rely on many of the valuation multiples they might use to assess

other stocks. And while it may seem cheap since it's coming off a new 52-week low, there's little reason to expect that it'll rebound.

Trading at well below \$1 per share, the added danger for investors is that they could see a lot more volatility from the stock as even a change in price by a few cents could have a significant impact on their investment. Over the past five years, the stock's averaged a beta of around 2.4, indicating that it's much more volatile than the TSX and the markets as a whole. That's not ideal during a pandemic, when there's already been a lot of volatility in the markets.

Bottom line

There are too many question marks and uncertainties surrounding Bombardier today for the stock to be a good investment. Unless you're willing to buy and hold for multiple years and are okay with taking on significant risk in the process, Bombardier is just not a stock worth buying today. There are many other, [safer buys](#) out there that you can invest in that have greater odds of success and that won't put your portfolio in harm's way.

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