



Bombardier (TSX:BBD.B) Stock: Could This Be the End?

Description

Bombardier Inc ([TSX:BBD.B](#)) stock has been a massive disappointment for investors who bought and held it long term. Its stock price peaked in the year 2000 and has fallen about 97% since then. Over the years, the company has struggled with a number of issues, ranging from the C Series jet fiasco to balance sheet bloat. As a result, Bombardier is a shell of its former self, with many of its business units having been spun off in recent years.

All of this was true long before COVID-19 came on the scene. With the arrival of that pandemic, the situation has grown much worse. Thanks to the collapse in global aviation, Bombardier's business is at a virtual standstill.

In its most recent quarter, it posted a loss, with about \$600-\$800 million in costs attributable to COVID-19. Nobody knows when this company will be able to get back to business as usual. But if this situation persists long enough, it could be an existential threat to Bombardier.

Bombardier's remaining business in question

As mentioned, Bombardier has spent the last several years spinning off business units. The divisions sold recently include commercial jets and trains. Further back, the company also sold its recreational products division — the business unit responsible for iconic products like the snowmobile. Without recreational products, Bombardier lost some of its status as an "...iconic Canadian company."

The financial losses, however, were just getting started. A big moment for the company came with the C Series jet — a commercial mid-range jet into which Bombardier sunk \$7 billion.

The feasibility study for the project estimated its future cost at \$2 billion. The \$5 billion cost overrun [loaded Bombardier's balance sheet with debt](#). This led to the wave of spinoffs previously mentioned. After all of the asset sales, Bombardier was left with only one business unit: corporate jets.

Now, even that is in question. The COVID-19 pandemic has led to a [massive drop-off in demand for air travel](#). Bombardier's aircraft are aimed at individuals and corporations, so the grounding of commercial

flights hasn't affected it.

However, corporate travel has been taking a hit too. Additionally, COVID-19 lockdowns have impeded Bombardier's ability to deliver on its orders, which was part of the reason for the company's huge loss in Q1.

A massive Q1 loss

In the first quarter, Bombardier lost about \$200 million. Revenues came in at \$3.7 billion—a 5% year-over-year increase—but was offset by increased costs. According to a recent *Global News* article, the pandemic cost the company between \$600 and \$800 million. With most of Bombardier's factories closed, it is likely to lose more money in Q2.

While it's encouraging that Bombardier's revenue rose in Q1, keep in mind that COVID-19 closures were only in effect for part of that quarter. The Q2 results will likely be much worse. If there are even more bad quarters to follow, then this could spell the end for Bombardier.

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