



## \$500 Invested in Bombardier Stock (TSX:BBD.B) at the Start of 2020 Would Be Worth This Much Now!

### Description

The weakness in equity markets is primarily driven by the COVID-19 pandemic. Several industries are grappling with lower demand and effects of countrywide lockdowns. Companies in the airline space such as **Air Canada** have experienced a massive decline in stock price since February 2020.

However, there are a few companies that were in troubled waters long before the dreaded virus impacted our lives. One such Canadian manufacturing firm is **Bombardier** ([TSX:BBD.B](#)). This stock is trading at \$0.47 per share. It has lost 76% since the start of 2020 and is down a staggering 91% since July 2018.

This means if you invested \$500 in Bombardier stock at the start of 2020, it would be worth a paltry \$120 now. Comparatively, the **iShares S&P/TSX 60 Index ETF** has lost 11% this year.

### A string of problems for Bombardier

Bombardier stock fell 36% in January after it reported lacklustre Q4 results. The company reported sales of \$4.2 billion which were below estimates of \$4.6 billion. Credit rating agencies such as S&P and Fitch soon lowered their outlook on the company citing high debt and falling profits.

In order to lower debt levels, Bombardier announced the sale of its transportation division to focus on its aviation business. It also exited the Airbus partnership in order to conserve cash and maintain liquidity.

Earlier [this month](#), Bombardier confirmed the closing of the previously announced sale of its CRJ Series aircraft program to Mitsubishi Heavy Industries (MHI). The deal was valued at \$550 million in cash.

Now, after a slew of spin-offs, Bombardier is left with just one business unit which is corporate jets. However, even this vertical has seen a massive drop in demand in recent times as borders are shut and several countries are under lockdown.

Bombardier's aircrafts are primarily for individuals and corporations. While it has not been impacted by the grounding of commercial flights, corporate air traffic too would have fallen considerably given the current situation.

## What's next for investors?

In the March quarter, Bombardier posted a net loss of \$200 million. According to company management, the [pandemic cost the company](#) between \$600 million to \$800 million. While the coronavirus is likely to be a near-term headwind, companies with weak financials such as Bombardier face the threat of bankruptcy looming large.

The company's revenue rose 5% year-over-year to \$3.7 billion in Q1. However, investors can expect the current quarter to be far worse. Bombardier ended the March quarter with long-term debt of \$9.31 billion. Comparatively, its cash balance stands at just over \$2 billion and its cash flows from operating activities are -\$1.5 billion.

Companies in the airline sector need to have the liquidity to pay off debt. Bombardier on the other hand has reported a loss for four consecutive quarters. The current pandemic has made these stocks vulnerable and risky due to a significant slump in demand.

Investing in this beaten-down company makes little sense. You need to stay away from Bombardier if you want to keep your capital secure.

### CATEGORY

1. Coronavirus
2. Investing

### TICKERS GLOBAL

1. TSX:BBD.B (Bombardier)

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