



\$1,000 Invested in Bombardier (TSX:BBD.B) Stock at the Start of 2020 Is Worth This Much Today!

Description

While the broader markets have been volatile lately, they have managed to surprise investors amid the pandemic and stage an impressive rebound. However, there are some beaten-down stocks that have burnt significant investor wealth this year, and for good reason. We'll look at one such stock that's part of the aerospace sector: **Bombardier** ([TSX:BBD.B](#)).

The COVID-19 pandemic could not have come at a worse time for Bombardier. The Canadian airline manufacturing giant was already grappling with mounting losses and falling sales prior to the pandemic.

The stock lost 36% in market value [after it released preliminary Q4 results](#) that were below consensus estimates. Due to its weak financials, rating agencies Fitch and S&P 500 lowered their outlook on Bombardier, driven by the company's low profitability and high debt.

Bombardier sold several businesses, including the CSeries to **Airbus**, and is now solely focused on its business jet program. These factors sent the stock lower in 2020, which has declined 80% in 2020. This means if you invested \$1,000 in Bombardier stock at the start of 2020, it would be worth close to \$200 today.

Bombardier ended Q2 with \$3.5 billion in liquidity

In Q2, Bombardier reported revenue of \$2.7 billion, a double-digit decline, due to lower production activity, as several sites in North America and Europe were temporarily suspended amid COVID-19. Its adjusted EBITDA loss stood at \$319 million while free cash flow usage and usage from operating activities were \$1 billion for Q2.

Bombardier said that it ended the June quarter with \$1.7 billion in cash, \$738 million in revolving credit facility, and \$1 billion of additional liquidity from its recently announced senior secured credit facility. This means Bombardier's total debt stands at \$10.34 billion, which is 11 times its market cap.

The company remains cautious about its near-term prospects [and said](#), “While we are seeing some early encouraging trends in our end markets, including new interest in private air travel and the enhanced safety it provides, the continuing uncertainty surrounding the duration of the pandemic and the shape of the recovery continues to preclude us from providing financial guidance at this time.”

The Foolish takeaway

We can see there are several issues that have hurt Bombardier stock. The stock is in fact trading 99% below its record high of \$24.8, which it touched back in October 2000. Bombardier has been one of the worst bets for long-term investors, and there is no guarantee it will manage to successfully turn around its business at a time when the aviation industry is experiencing one of its worst crises.

Analysts expect Bombardier sales to fall by 14% year over year to \$13.56 billion in 2020, and while its revenue might grow by 6.7% to \$14.46 billion, it will continue to burn cash and remain unprofitable at least till 2022.

Bombardier is trading at a cheap price-to-sales multiple of 0.07 for reasons stated above. It is the perfect example of a value trap, considering there are far better stocks on the TSX to bet on right now.

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Date

2025/07/04

Date Created

2020/09/12

Author

araghunath

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