



Will Bombardier Survive the Pandemic?

Description

Bombardier ([TSX:BBD.B](#)) faces serious challenges today. Should investors buy Bombardier stock on the hopes of a rebound?

Bombardier stock chart

A quick look at Bombardier's stock chart over the past 20 years provides a good indication of how the company fared in its battles to be a leader in the global rail and jet industries. In October 2000, Bombardier traded for more than \$25 per share. Today, the stock sells for a mere 32 cents.

Savvy traders made some good money along the way. Buy-and-hold investors, unfortunately, have mostly lost their shirts.

Contrarian investors might be tempted to see the stock as [oversold](#) and jump in at this point on the hopes of another upswing, but caution is warranted.

Assets sales

Bombardier spent the past couple of years selling off most of its operations to reduce its debt load. The process began with the sale of the troubled CSeries jet program to **Airbus**. Bombardier hoped the new planes would give it an edge in the mid-sized commercial plane segment, but long development and production delays resulted in the program going billions of dollars over budget.

Customer enthusiasm for the new fuel-efficient jets was high when [oil](#) traded at US\$100 per barrel. Orders initially rolled in at a good clip, but Bombardier missed an opportunity to capitalize due to the delays.

In the end, the company took on heavy debt and required capital infusions from Quebec and the province's pension fund. In early 2016, the stock dropped below \$1 per share, as the market anticipated a possible bankruptcy filing. Bombardier changed management, shelved the dividend, and

secured two large CSeries orders at heavily discounted prices to avoid going bust.

This gave the company some breathing room, and the shares actually topped \$5 in the summer of 2018 shortly after a 50.1% interest in the CSeries officially moved to Airbus.

The good times didn't last very long. Demand for the jets, renamed A220, didn't fly in as expected under the Airbus umbrella. Faced with ongoing debt challenges, Bombardier eventually sold the rest of the stake to the European giant. Bombardier also sold its Dash-8 and CRJ plane divisions, finalizing the exit from the commercial airline sector.

Last month, Bombardier reached an [agreement](#) to sell the troubled rail division. The sale to **Alstom** is expected to close in 2021. Once that happens, Bombardier's only remaining operations will be the business jets.

Will business jets save the company?

A second wave of the pandemic threatens to extend global travel restrictions and put additional pressure on the global economy. The E.U. just revoked permission for Canadians to travel to the region. Canada isn't allowing any visitors to the country, and the border with the United States remains closed to all non-essential travel.

Companies might not be willing to spend on new business jets for some time. In fact, the success of virtual meetings through video platforms over the past seven months could permanently impact business travel trends.

Wealthy individuals might decide to buy their own private jets to avoid COVID-19 risks on commercial flights, but they won't make the purchases until they are allowed to visit other countries.

For the moment, the outlook remains bleak.

Should you buy Bombardier stock now?

Buy-and-hold investors should search for other opportunities. Trades might also want to stay on the sidelines. Headwinds are pretty strong right now, so I would avoid Bombardier stock.

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Date

2025/09/11

Date Created

2020/10/22

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