



Why Bombardier (TSX:BBD.B) Stock Gained 76% Last Month

Description

November was one of the best months for equity investors in 2020. The news of vaccine developments buoyed investors and drove markets higher. Stocks in beaten-down sectors such as energy, airline, and retail surged higher.

One of the top-performing stocks on the TSX was **Bombardier** ([TSX:BBD.B](#)), which gained 76% last month.

Bombardier is a pure-play business aircraft company

Over the last few years, Bombardier has exited multiple business segments due to falling sales and high debt levels. The company also missed delivery dates and burned through cash at a massive rate.

It then sold off its lucrative rail transportation business as well as its commercial air business and is now solely focused on the private jet business. The company's massive offloading and business exits are part of its strategy to become a pure-play private jet company.

Its latest line of Global Express jets has been well received with a full order book. The flagship Global 7500 jet broke [multiple records](#) a few months back. It flew 8,152 nautical miles at a sustained speed of Mach 0.85. It was the longest flight by a business jet and achieved the highest speed over this distance.

However, just as Bombardier was focusing on reducing debt and maintaining a healthy balance sheet, the COVID-19 pandemic struck. The demand for conventional and business air travel left the company in a precarious position.

Q3 sales were down 5% year over year

In Q3, Bombardier's sales fell 5% year over year to \$3.5 billion and business aircraft sales stood at \$1.2 billion, up 10% year over year.

The [company said](#), "Business aircraft revenues in the quarter were up 10% year over year, driven by a record 8 *Global 7500* aircraft deliveries, which more than offset lower service revenues as international border restrictions, reduced business activity, and travel continues to pressure business jet utilization."

Its total adjusted EBITDA stood at \$176 million, while EBIT was \$51 million. Bombardier claimed its Q3 results reflect an unfavourable aircraft revenue mix as well as the impact of low-margin projects and the lingering impact of the pandemic.

It ended Q3 with \$3 billion in liquidity including \$1.9 billion of cash. The company expects to improve its liquidity with positive cash generation in Q4 due to the release of working capital from its Aviation and Transportation business.

Bombardier will generate around \$4 billion from the sale of its Transportation business to Alstom and these proceeds will be used to reduce debt.

The Foolish takeaway

It seems that recent results came as a pleasant surprise for investors. However, Bombardier has burnt significant investor wealth. Its market cap has slumped by 90% since July 2018, and there are several factors you need to consider before making an investment in this beaten-down stock.

There is a good chance that business travel has changed for good, as the acceleration towards a remote working culture gains pace. Bombardier's recovery is tied to the pandemic and the capital-intensive nature of its business makes the stock a high-risk bet right now.

CATEGORY

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