



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

Description

Stocks in the aviation sector have been crushed in 2020 due to the COVID-19 pandemic. Companies such as **Bombardier** ([TSX:BBD.B](#)) that were already struggling prior to the pandemic have burnt massive investor wealth this year.

Bombardier stock has lost a staggering 76.17% year to date, which means a \$1,000 invested in this company at the start of 2020 would be worth \$238 today.

Bombardier has kept disappointing investors

Shares of Bombardier fell around 30% in January 2020 after it released preliminary figures for Q4 of 2019. In the December quarter, the company reported sales of \$4.2 billion, below analyst sales estimates of \$4.6 billion.

It attributed the revenue miss to the delay in the timing of milestone payments and new orders in the Transportation business. Bombardier's Transportation sales in Q4 stood at \$1.8 billion compared to analyst estimates of \$2.2 billion.

In February, Bombardier announced the sales of its Transportation division to Alstom. The company said it aims to focus on the aviation business. The sale was valued at an enterprise value of US\$8.2 billion (of which the company received between \$4.2 billion and \$4.5 billion), and the proceeds were to be used to lower debt balance and redefine its capital structure.

Bombardier also transferred its shares that were part of the A220 program to Airbus and the Government of Quebec. It would receive \$591 million from Airbus as part of the deal.

Bombardier remains a high-risk investment

Bombardier stock has gained momentum since November and rose 76% last month after investors

were buoyed by vaccine results. The company has sold off its highly profitable Transportation business and exited the commercial airline business as well. It's now focusing solely on the private jet business.

Bombardier has a less-diversified revenue stream, and there is a good chance that demand for private jet services will remain tepid, even after the pandemic due to the shift towards remote work.

The company has claimed the offloading and business exits were part of its strategy to become a pure-play private jet entity. In Q3, its sales were down 5% year over year at \$3.5 billion, while business aircraft revenue was up 10% at \$1.2 billion.

Its [adjusted EBITDA](#) was \$176 million, and EBIT stood at \$51 million in Q3. Bombardier said its Q3 results were impacted due to an unfavourable aircraft revenue mix and impact of low-margin projects due to the ongoing pandemic.

What's next for investors?

Bombardier stock is valued at a market cap of \$1.2 billion. It ended Q3 with a debt balance of \$10.26 billion, while its operating cash flow in the last 12 months were a negative \$2.07 billion. The company continues to grapple with high debt levels, which means it cannot afford to book any losses in the next few quarters.

Bombardier stock is trading at a cheap valuation. It has a price-to-2021-sales multiple of 0.45 and an enterprise value to sales multiple of 2.3. But we can see it's cheap for a reason. The company has failed to inspire investor confidence and its capital-intensive business has been hit badly due to COVID-19.

Analysts [tracking the stock](#) have a 12-month average target price of \$0.36, which is 22% below its current trading price.

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