



## Bombardier Stock: Time to Buy at \$0.75?

### Description

**Bombardier** ([TSX:BBD.B](#)) has been out of favour with the investors for quite some time.

Indeed, in recent years, many investors have become increasingly concerned with insolvency risk with this stock. Nevertheless, executives of Bombardier are confident that the company is on the cusp of a turnaround.

Should individuals consider [investing](#) in Bombardier today? Here's what I think.

## Bombardier announces job cuts and halts Learjet production

This February, Bombardier gave pink slips to 1,600 employees in an attempt to bolster its earnings. The majority of the layoffs will take place in Quebec, with the rest of the job cuts spread across the U.S. and Canada. Yes, investors who have been tracking this stock's performance for some time have become familiar with such announcements. As per the company's estimates, this downsizing will generate roughly \$400 million in cost savings within two years.

Bombardier's CEO Éric Martel stated that this strategic retrenchment was essential for the company to facilitate the rebuilding process, as it aims to power through the pandemic-induced financial crisis.

Furthermore, Bombardier announced that it has decided to halt Learjet production so that it can emphasize the production of its Challenger and Global planes. These are the two primary business jets the company appears to want to hone in on right now.

## What does the future hold for Bombardier?

Last year, this company announced a loss of nearly \$568 million. That's certainly not good, and investors have punished Bombardier's stock price accordingly.

However, following these downsizing and cost reduction strategies, Bombardier's management team

now expects to have positive cash flow in the near future.

How will they get there?

Well, they believe that the Global 7500 jet will play a vital role in strengthening the company's net earnings. Martel revealed that this aircraft has been able to overcome its initial unprofitable phase. With a suggested retail price of \$75 million, it's now sold out through 2023.

As per their projections, the company should be able to generate over \$500 million, achieving an EBITDA margin of 20%, by 2025.

## Bottom line

These projections are great, and some investors may be inclined to take a gamble on Bombardier stock at [these levels](#).

However, this isn't the first time investors have been provided a restructuring proposal from Bombardier's management team. Having a plan is great. However, executing said plan is a whole different story.

I think execution risk is the big factor investors need to keep an eye on with this stock right now. Accordingly, until the company shows meaningful results to shareholders, it's likely to remain in the penalty box.

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