# Bombardier (TSX:BBD.BB) Stock: Will Shares Really Go to $0?

### Description

**Bombardier** (TSX:BBD.BB) stock is volatile, yet many investors have made millions by timing the movements correctly. In 2020, shares fell 75%. This year however, they've more than *doubled*.

Still, this stock trades near the bottom of its historical range. Many analysts think the valuation will ultimately hit zero. What's the truth?



## Bombardier is a goldmine

You can make huge sums of money with Bombardier stock over a short amount of time. That's because the underlying business is inherently volatile.

"Bombardier is the definition of an industrials company, similar to **General Electric**," I recently explained. "For years, it designed and built big, heavy things like railroad cars and airplanes. You've likely benefited from the company's products before, even if you didn't know it."

Making big, heavy, expensive things can make you a huge profit. Or, it can result in major losses. The pendulum can swing in either direction.

"Because its business is capital-intensive, revenue often comes in waves," I concluded. "The company could experience very little sales traction for months, only to receive several multi-billion orders in a single week. This lumpiness is a big reason why Bombardier stock has been so volatile over the years."

The trick to this stock is knowing which side of the wave we're on. If you can master that, the future is clear.

## This is the future

Just because someone's making money with a certain investment doesn't mean you should follow. Like Buffett advises, it's not necessarily smart to pick up pennies in front of a steamroller. The same could be said of Bombardier stock.

In 1996, BBD shares were priced at $3. In 2003, they were priced at $3. In 2018, they were priced at $3. You get the point. This company has existed for decades, but very little long-term value has been created.

To be sure, there were some big swings along the way. Shares have doubled in value *dozens* of times. They've risen 1,000% or more on several occasions. But in all cases, the gains were eventually erased.

What does this mean for you? The biggest takeaway is that long-term investors should look elsewhere. When a company shows you its true self over a multi-decade period, you're best off believing it.

Bombardier isn't alone, either. Its U.S. counterpart General Electric has shown a similar propensity to destroy shareholder value. In 1996, shares were priced at $13. In 2009, shares were priced at $13. Today, shares are priced at $13. You've seen this story before.

Will Bombardier shares spike or plunge in future years? The answer is simply both. This is a volatile stock fuelled by a volatile business model. There's certainly money to be made, but you can say the same of a casino.

For prudent, long-term investors, stay away from this stock, even if shares look historically cheap. The longer you hold the stock, the more likely it becomes that you'll lose money. It's not the fault of poor management or bad policy; rather, it's simply the reality that every industrial business must endure. Just make sure that you're not tricked into joining the ride.



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