



## Why Bombardier Is an Intriguing Speculative Play at These Levels

### Description

**Bombardier** ([TSX:BBD.B](#)) is a Montreal-based business aircraft manufacturer. This company has been through some [rough times](#) of late, to say the least. A reduction in air travel has left the company's core business in shambles. Indeed, prior to the pandemic, this company was already having difficulties. These problems were simply exacerbated by an otherwise unexpected global shock.

Accordingly, many investors have steered clear of this company for some time. I find myself in this camp.

However, today, there's an intriguing speculative argument to owning this stock. Some investors believe Bombardier's management team has what it takes to right this ship. Indeed, if that's the case, this could be an interesting pick at these levels.

Here's what I think investors should consider about this company in this context.

### Bombardier needs to execute

Bombardier is on a mission to streamline its operations. In recent years, it's been selling off non-core businesses in this mission.

These moves have shored up its balance sheet and improved its cost structure. However, the prevalent COVID-19 pandemic hasn't helped matters of late. The company's recent earnings report left a lot to be desired from investors.

However, the company's CEO Eric Martel is looking to do everything he can to turn this story around. The company's CEO has done some great work in cutting costs and seeking annual cost savings in the nine-figure range moving forward.

Additionally, recent results show a turnaround has indeed started. The company reported it delivered 110-120 aircraft as per its partially disclosed Q1 results. Bombardier's net loss was reduced to US\$173 million, from US\$182 million a year prior.

Additionally, Bombardier reported its business jet revenue touched US\$1.3 billion in its first three months in 2020 — an 18% year-over-year increase. Its net income stood at US\$5.1 billion, or \$2.03 per diluted share, including a US\$5.3 billion profit on the sale of its rail business to Alstom S.A. This helped Bombardier's recovery from a loss of US\$200 million in Q1 2020.

As far as execution goes, the proof will be in the pudding. However, this company is making some small steps in the right direction now.

## Is Bombardier going to fly over the horizon?

In my opinion, execution success by Bombardier remains a key risk for long-term players looking to invest in Bombardier. The company laid off nearly 1,600 employees in a bid to ensure stability and strengthen its bottom line. These moves may have done the job in the short term. However, if demand increases, investors will want to know Bombardier can ramp production back up. This piece remains to be seen.

Right now, I view Bombardier as a highly speculative pick. Yes, there remains a significant amount of upside with this stock. However, investors need to decide if it's worth the risk.

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