



## Is Bombardier (TSX:BBD.B) Stock a Buy?

### Description

**Bombardier** ([TSX:BBD.B](#)) stock has dipped 36% in the [bear market](#). This downturn momentum began in October 2021, as inflation started seeping in from generous fiscal stimulus packages. The correction was expected, as the stock [surged 360%](#) between January and September 2021 on the back of strengthening fundamentals. 2021 was the most dramatic year for the plane maker. The keywords to understand are *strengthening fundamentals*.

The management took some bold moves and turned eight years of losses into a small profit. Is this stock a buy at the current price of \$1.4/share?

Every crisis has pulled the stock down. But, as [Warren Buffett](#) says, “If past history was all that is needed to play the game of money, the richest people would be librarians.”

### 2021: A year that was

The two biggest burdens for Bombardier were its loss-making businesses and mounting debt. Over the years, the company offloaded its loss-making businesses, including its train business, which it sold to Alstom last year. It has streamlined its focus exclusively on designing, manufacturing, and servicing business jets. It has three business jets: Global, Challenger, and Learjet.

Bombardier tackled another pressing issue and paid off \$3 billion in debt. It made the most of the record-low interest rate and restructured \$2.1 billion worth of debt. This reduced its annual interest expense by over \$225 million. These efforts freed the company from three years of debt repayment. The next debt repayment of \$1 billion comes in 2024.

Bombardier still has a leverage ratio of a little less than eight times, which means its net debt is eight times its current operating income. The company will continue to deleverage its balance sheet by repaying debt and increasing EBITDA.

Deleveraging and offloading loss-making businesses increased its 2021 adjusted EBITDA by 220% to \$640 million and resulted in a positive free cash flow (FCF) of \$100 million. This means the company is

no longer losing money. Its next focus is to improve profit and cash flow.

## How 2022-2025 looks for Bombardier

In its Investor Day [presentation](#), Bombardier has laid out its four-year plan to achieve its revenue, EBITDA, FCF, and debt target for 2025.

The first is revenue target of \$7.5 billion by 2025, for which it has to grow its revenue at an average annual rate of 5% between 2022 and 2025. It plans to grow its revenue by selling more business jets and expanding in the aftermarket. Aftermarket includes maintenance, components, servicing, and customer response. Bombardier currently taps the aftermarket of 39% of its operational aircraft. It plans to increase this contribution to 50% by opening new maintenance and service centres worldwide.

The second is the EBITDA target of \$1.5 billion (20% EBITDA margin). To reach this level, Bombardier needs to grow EBITDA at an average annual rate of 50%. A majority of the EBITDA improvement is expected to come from reducing the manufacturing cost of Global 7500 aircraft and other costs.

The third is FCF of over \$500 million by 2025 — four times its 2021 FCF. The final target is a net leverage ratio of three times. It will repay another \$2.5 billion debt maturing in 2024 and 2025 and use its enhanced credit rating to further reduce interest costs. It will maintain liquidity of \$2.1 billion for daily operations and contingency.

The above financial targets look achievable if the economic and business conditions remain stable or improve. However, the Russia-Ukraine war disrupted the supply chain, increased oil prices, and created fear of a recession. If Bombardier made fighter jets, the stock could have surged triple digits. But it makes business jets, and the war has impacted business spending. Keep a close eye on the stock, as Bombardier stock will likely remain volatile in the short term.

## Is Bombardier stock a buy?

The current stock price is an attractive entry point for value investors. There is a significant improvement in the fundamentals, and no debt maturity till 2023 gives Bombardier the flexibility to withstand the crisis. Bombardier is a turnaround story and can deliver growth in the next five years.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. TSX:BBD.B (Bombardier)

### PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred

5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

#### **PP NOTIFY USER**

1. kduncombe
2. pujatayal

#### **Category**

1. Investing

#### **Date**

2025/08/24

#### **Date Created**

2022/04/13

#### **Author**

pujatayal

default watermark

default watermark