



Why Bombardier Stock Crashed Over 35% in June

Description

What happened?

Shares of **Bombardier** ([TSX:BBD.B](#)) crashed by 35.1% in June to settle at \$19.32 per share, experiencing its worst monthly losses since March 2020. The broader [market selloff](#) also intensified last month, as the **TSX Composite Index** plunged by 9%. Last month's big losses in Bombardier stock extended its second-quarter losses to more than 46%.

So what?

It's important to note that Bombardier stock went through a reverse stock split in June. With this consolidation move at a 25-to-1 ratio, the company reduced the number of its issued and outstanding Class A shares from about 308.73 million to 12.35 million and Class B shares from nearly 2.13 billion to 85.37 million shares on June 13 — artificially boosting its share prices.

Bombardier stock, however, witnessed massive losses last month due mainly to its Montréal workers' strike. On June 14, its share prices tumbled by more than 18% after *Reuters* [reported](#) that a union representing 1,800 Bombardier workers went on a day-long strike. The report claimed that most workers who went on strike were associated with the Canadian business jet maker's Challenger business jet family.

In another key development related to its labour disputes, Bombardier workers [agreed](#) to a new labour contract that promises up to 18.5% pay hikes in the next five years. While this development could be considered positive as it's likely to ease the ongoing labour disputes, investors fear it will increase Bombardier's cost burden and trim its profitability. These labour disputes and investors' concerns about its increasing costs could be the main reasons why Bombardier stock plunged by about 35% in June. Apart from these factors, a recent broader market selloff could also be blamed for pressurizing the stock last month.

Now what?

The growth trend in Bombardier's bottom line has shown improvements lately. In 2021, the company reported a 6.2% YoY (year-over-year) drop in its total revenue to US\$6.1 billion. Nonetheless, higher margins from business aircraft manufacturing and services helped it post US\$3.75 per share in an adjusted net loss in 2021 — much narrower compared to its adjusted net loss of US\$11.75 per share in 2020. Similarly, Bombardier posted an adjusted net loss of US\$0.75 per share in the first quarter of 2022, better than analysts' expectation of US\$0.84 per share loss.

In Q1, the Canadian business jet company delivered 21 aircraft. But Bombardier's management remains confident that it could deliver more than 120 aircraft in the full year 2022. Given its strong annual deliveries guidance, analysts expect the company's losses to shrink further in the ongoing year, which will set it on the right track for a profitable 2023. These positive expectations could help Bombardier stock recover in the near to medium term.

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jparashar

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