



## Will Bombardier Trick or Treat Investors?

### Description

Investors who have been with aircraft and train manufacturer **Bombardier** (TSX: BBD.B, BBD.A) since the beginning of 2013 have been rewarded with a 40% return before counting a dividend that is still yielding in the neighborhood of 2%. Much of the buzz has been around the upcoming launch of the new CSeries aircraft. This new aircraft is an attempt by Bombardier to compete directly in a market dominated by the **Boeing** ([NYSE:BA](#)) 737 and the Airbus A319, and will be its largest commercial aircraft offering.

The new CSeries entry into the fast-growing 100-149 seat commercial aircraft market obviously has investors excited about the future. Still, with its release still months away, Bombardier will need to rely on deliveries of the infamous Learjet as well as its other aircraft and transportation offerings to produce results in the upcoming quarter.

### Where the analysts stand

Overall, analysts have been bullish on Bombardier for some time. Going into this week's third-quarter earnings report, that trend continues. The most recent survey shows 17 analysts rate the stock a "buy" or "outperform," while eight are neutral and two believe the stock is poised to underperform. This is only a hair more bearish than where analysts stood three months ago, with one bull moving to the neutral camp.

The analyst consensus earnings estimate has been spot-on for the first two quarters of the year. The estimate for the upcoming quarter is \$0.10 per share on revenues of approximately \$4.59 billion. The high earnings estimate for the quarter is \$0.12 per share and the low comes in at \$0.08 per share.

### A look back at last quarter

The second quarter came in right on expectations with the consensus estimate of \$0.09 per share, which compared equally to the same period in the prior year. Revenues were higher by approximately 7% thanks to a 22% increase from the company's transportation division.

The company's backlog continued to grow, reaching a record \$65.5 billion. This time, the accolades go to the aerospace division, which saw its backlog hit a record \$33.4 billion. During the quarter,

Bombardier customer Ilyushin Finance Co. of Russia firmed up an agreement for 32 CS300 aircraft and options for 10 additional, valuing the deal at \$2.6 billion. The company also received orders for 20 Challenger 350 jets and 12 Global 8000 jets, valued at \$1.32 billion. The transportation unit also saw a stream of orders with a total value of approximately \$1.77 billion.

### **Busy news cycle since last report**

The company's new CSeries aircraft grabbed the headlines when Bombardier announced a successful first flight of a CS100 jetliner, marking a major milestone in the development of this highly anticipated aircraft. Upon completion of this maiden voyage the Chief Flight Test Pilot, Captain Charles Ellis, [commented in a release](#), "The performance of the CSeries aircraft was very impressive! We couldn't have wished for a better maiden flight. FTV1's state-of-the-art flight deck was responsive and comfortable, and the aircraft handled exactly as expected. Overall, we had a very productive first flight and an excellent start to the flight test program."

The CSeries continued to make headlines when the company disclosed leading Chinese leasing company CDB Leasing was behind a previously announced conditional order. The purchase agreement is for 15 CSeries aircraft with an option to purchase an additional 15. If the options are fully exercised, the value of the contract is approximately \$2.07 billion.

Bombardier continued to make progress on its new Learjet program and received a firm order for an additional 30 Learjet 85 aircraft and the addition of 20 incremental options from Flexjet. After this conversion, the Flexjet deal is now worth \$2.4 billion based on 115 firm orders for various aircraft. If all 150 remaining options are exercised, the transaction is worth approximately \$5.6 billion.

Lastly, the company announced letters of intent and options to purchase up to 150 Q400 NextGen airliners valued at approximately \$5.09 billion (if all options are exercised).

### **Final thoughts**

The outlook for aircraft orders looks bright as operators continue to update aging fleets. Late last week the U.S. Department of Commerce released its Advance Report on Durable Goods for September, which showed an increase of 3.7%. The number was bolstered by a 57.5% jump in aircraft orders, which accounted for most of the gain.

Adding to the euphoria for the industry was a positive earnings report from Boeing in which the company beat analyst's estimates with a 16% increase in core earnings on an 11% increase in revenue. In addition, Boeing boosted core earnings guidance by approximately 4% and expects operating cash flow to top \$7.0 billion for the year.

Bombardier has had a good run in 2013 and any disappointment this week would most likely hit the stock hard. However, with the positive fundamentals surrounding the aircraft markets and if the strong performance from the transportation unit carries over from last quarter, it should set the stage for Bombardier to at least meet analyst's expectations for the fourth straight quarter.

### **Three top stocks from The Motley Fool**

Looking to expand your portfolio's horizons? The Motley Fool has put together a Special FREE Report featuring "[3 U.S. Stocks Every Canadian Should Own](#)." To get the names and ticker symbols of these three stocks, just [click here](#) to access your free copy!

*Disclosure: Fool contributor Alex Gray does not own shares of any companies mentioned.*

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. NYSE:BA (The Boeing Company)
2. TSX:BBD.B (Bombardier)

## Category

1. Investing

## Date

2025/08/25

## Date Created

2013/10/29

## Author

agray

default watermark

default watermark