



Should Bombardier Investors Be Worried?

Description

An unwanted trend appears to be developing in the aviation division of **Bombardier** ([TSX: BBD.B](#)), as yet again a major delay has affected one of its newest aircrafts.

Bombardier put the breaks on its most recent test flight of the new 10 passenger Learjet 85 business plane. This comes a few days after poor weather grounded the first test flight. Once the weather cleared up a few days later, the test flight was postponed again as a software issue forced it to be cancelled.

This is another blow to Bombardier as these tests were originally scheduled for December 2013. The new Learjet was scheduled to enter service this summer, but as technical issues continue it is unknown when the plane will be available for purchase. Once completed, Bombardier was projecting revenues for the new Learjet 85 to be between \$2.5 billion to \$3.5 billion.

A repeat of the CSeries delays?

The Learjet 85 appears to be following in the footsteps of the Bombardier CSeries line of aircraft where delays are concerned. Delays in the CSeries have led to over 1,700 job losses and \$1 billion in added costs.

Bombardier currently has 201 C Series planes ordered from 18 customers, with options for up to 247 more. This helps it meet its goal of \$5 billion to \$8 billion in revenues from the CSeries. Bombardier has finally been able to get three CSeries aircrafts into the testing phase, and the first aircraft to enter active service is expected to be released in the second half of 2015.

On the bright side

Despite the complications, Bombardier is offering enticing projections for the future. Revenue goals for 2016 have been raised to \$30 billion up from last year's \$18.2 billion, and 2014 is tracking to be a \$20 billion year. Profits will suffer this year because of these delays, but the rail division continues to offset many of the aviation division's shortcomings.

Foolish bottom line

Although the aviation division has been hit with a few R&D issues, its sales continue to climb, as is evident by continued purchases of the Q400 turboprop by **WestJet Airlines** (TSX: WJA) for its Encore discount carrier. Another example is a new U.S. \$73.3 million deal with the government of Newfoundland and Labrador for two Bombardier 415 amphibious aircraft to be used to fight forest fires.

While Bombardier may appear to be a frustrating investment, its record backlog of orders carries significant weight, and if its 2016 revenue goals are achieved, the stock could be on its way back to 2008 prices.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:BBD.B (Bombardier)

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