



## Is Bombardier, Inc. a Solid Investment Choice?

### Description

It hasn't been easy for **Bombardier, Inc.** ([TSX: BBD.B](#)) lately. Restructuring initiatives have the company cutting its workforce as its transportation division is laying off 1,000 employees. Moreover, its flagship CSeries jet has experienced development delays.

Here are three of Bombardier's strengths for investors to consider, along with two issues facing the company.

### Strengths

#### 1. Broad manufacturing and services capabilities

Bombardier has an extensive portfolio of transportation offerings. The company manufactures business jets, commercial aircraft, high-speed trains, and public transit vehicles. Worldwide, more than 100,000 Bombardier rail vehicles are in operation.

Bombardier also provides transportation systems, and rail control, urban, mainline, and technology solutions. A system provider, it develops, designs and builds turnkey transportation systems and has more than 60 systems in operation. It usually supplies the electrical and mechanical systems, and project management, systems engineering and integration, and systems testing and verification.

#### 2. Strong backlog and Q2 revenue

From a business and investing standpoint it's important to note Bombardier's backlog. For Q2 2014, its backlog was \$75.7 billion as of June 30, 2014, versus \$69.7 billion as of December 31, 2013. Therefore, investors can see sales revenue and earnings on the horizon. Moreover, Bombardier had strong revenue in Q2. Its total revenue was \$4.9 billion versus \$4.4 billion for Q2 2013. This represents growth of 8.9%.

#### 3. Its new Aerostructures and Engineering Services business

Bombardier is seeking new revenues from the aerospace industry. It recently announced a new

organizational structure consisting of four business divisions, one of which is Bombardier Aerostructures and Engineering Services.

Pierre Beaudoin, Bombardier's President/Chief Executive Officer, said, "In Aerospace, the new organizational structure recently announced will make us more agile and flexible in addressing customer needs, while reducing costs and increasing our ability to focus on growth areas."

## Issues

### 1. CSeries delays

Concerns abound over Bombardier's CSeries plane. The company grounded its CSeries testing fleet after an engine failed in late May during stationary ground maintenance testing on one of the planes. The CSeries was originally supposed to enter into service late in 2013. Bombardier is now looking at the latter part of 2015.

Bombardier restarted ground tests on the aircraft on June 10, 2014. It expects to resume flight testing in the near future on the plane. Bombardier has invested \$4.4 billion in this program. The optimization of the CSeries suite of aircraft is for the longer range, single-aisle 100 to 149-seat market.

### 2. High SGA costs

In an interview with the *Financial Post* this week, Lutz Bertling, head of Bombardier Transportation, said, "We spend too much on the wrong things. When I took over transportation, our SG&A was around 9% of revenue. We are now at roughly 7.5% and we want to go further to between 6% and 6.5%."

## Bottom line

Bombardier may be a solid investment choice if the company can transcend its CSeries difficulties and rein in costs. Additionally, Bombardier recognizes the need for more investment in research and development and the need to promote its aerospace capabilities further.

For investors, it's deciding whether to be patient for these initiatives to take hold which have the potential to drive growth for Bombardier.

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. TSX:BBD.B (Bombardier)

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