



## What the Latest PR Nightmare From Bombardier Inc. Means for Investors

### Description

The CSeries was one touted as the product that would take **Bombardier Inc.** (TSX: BBD.D) into the next decade. So there was always a sense that the CSeries would define the company. Unfortunately this sentiment has come to pass, just not the way Bombardier intended.

Plagued by delays, mechanical breakdowns and massive cost overruns, the CSeries has taken its toll on the company, including thousands of layoffs, the resignation of several executives, and even a complete restructure of Bombardier's aerospace division. At each step the stock has taken a nose dive, with the stock falling to \$3.44 in February from \$5.43 back in October 2013. Now a new issue has arisen thanks to the beleaguered CSeries, one that has brought the stock back down to \$3.66, dangerously close to its 52-week low.

### An inconvenient delay

Unlike a mechanical failure, this newest setback to the CSeries comes from outside of the company. Swedish-based Braathens Aviation AB has announced that it will be pushing back its delivery date. On paper, this doesn't sound like anything special, as it can be common for airlines to adjust their delivery tables with manufacturers. However, Braathens Aviation AB was going to be debut operator of the new CSeries aircraft line next summer.

Braathens Aviation AB made this announcement in its most recent quarterly report, saying "Due to increased uncertainty we are discussing other possible changes to the aircraft delivery schedule with Bombardier." Braathens Aviation AB still maintains its current order of 10 CSeries aircrafts that it placed in 2011 at a price of \$665 million. It also retains an option for an additional 10 CSeries aircrafts, an option that may be less likely to be enacted.

This leaves investors, analysts, and aviation companies wondering who will be willing to take the spot of debut operator of the CSeries. One must also wonder if other aviation companies will follow suit, hoping perhaps for a later generation of the CSeries to emerge before putting the aircraft into service.

The aircraft has been grounded for almost three months now due to an unfortunate engine fire, and rumours are beginning to emerge that testing will resume later this month. Bombardier is still optimistic

that it can still launch commercially near the end of 2015.

### **A bright spot remains**

While the CSeries curse is attracting all the attention, another of Bombardiers newer aircrafts is enjoying great success. The Q-400 turbo prop could be seen as the little brother of Bombardier Aviation's offerings as it only carries 86 passengers. But it is this smaller capacity and short-haul specialization that is helping sales.

**WestJet** (TSX: WJA) has built its entire Encore discount carrier around 13 of these aircrafts. WestJet initially ordered 20 Q-400s and has since come close to using up most of its options for 25 more. In all, Bombardier has 511 firm orders in place for the Q-400 from 50 customers spread over 40 countries.

It seems that until the CSeries goes into commercial operation, it will dominate the headlines for Bombardier, whether good or bad. Investors should be cautious not to become transfixed on this single issue. As Bombardier has shown through its Q-400 and its blossoming transportation division, there is still some promise left in the company. Especially if the CSeries does in fact perform as the company expects. If s,o two or three years from now would be investors may be kicking themselves for underestimating this company.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

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cameronconway

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