



2 Simple Reasons to Prefer Canadian National Railway Company Over Bombardier, Inc.

Description

Recently, it has not been fun to be a shareholder of **Bombardier** ([TSX: BBD.B](#)) — over the past year, the stock is down by more than 25%. The main issues have come out of the aerospace division, especially with regards to the CSeries program.

And it seems like right now no one wants to own Bombardier shares. So is this the perfect time to buy? After all, the company is taking some major steps to turn itself around, and if these efforts are successful, the stock price could move dramatically.

Unfortunately, there are still plenty of reasons to avoid Bombardier. The good news is that there are better options. On that note, below we look at two simple reasons to prefer another heavy industrial: **Canadian National Railway** ([TSX: CNR](#))([NYSE: CNI](#)).

1. Cash flow

Bombardier has a major problem on its hands: The company is burning cash. According to Morningstar, free cash flow amounted to negative \$977 million last year, and this year the news is no better, with over \$1 billion of negative free cash flow so far in 2014. Of course, delays and cost overruns in the CSeries have been a big culprit.

The good news is that CSeries flight testing has resumed, and Bombardier still expects the plane to be ready by late 2015. But the bad news is that analysts predict free cash flow to remain negative next year, putting further strain on the company's balance sheet. With \$7.7 billion in debt, Bombardier better hope that the CSeries doesn't run into more problems.

There are no such cash flow issues at CN Rail. Even though the company is investing heavily in new track and locomotives, CN generated nearly \$1.6 billion in free cash last year, a number that has nearly been matched already this year. With results like these, CN has much more flexibility than Bombardier, and can make much more long-term-oriented decisions. CN shareholders should feel at ease.

2. Rivalry

At first, it may seem that Bombardier doesn't face too many rivals, with the global aircraft market being dominated by two big players, **Boeing** and **Airbus**. But this is a very cutthroat industry, with the two heavyweights always trying to outdo the other. **Embraer**, a Brazilian aircraft maker that has clashed with Bombardier in the past, is also a formidable challenger.

Unfortunately, this is an industry that requires constant innovation just to stay on level terms. That's caused lots of problems for all the players at one time or another, and this will not change anytime soon. So shareholders of Bombardier can never truly relax.

The story couldn't be more different at CN Rail. The company possesses an extensive track network, one that makes it practically immune to competition on many routes. And once again, this dynamic will persist for decades. So shareholders can sit back and hold CN shares for a long time, confident that the company will be competitive for decades to come.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. TSX:BBD.B (Bombardier)
3. TSX:CNR (Canadian National Railway Company)

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