



Finally Some Good News for Bombardier Inc.

Description

It's been a rollercoaster month for **Bombardier Inc.** ([TSX: BBD.B](#)). It began the month with the announcement that Swedish-based Braathens Aviation AB had withdrawn from being the debut operator of the CSeries line of aircrafts.

Finally, some good news has started to develop. The engine problems that grounded the CSeries test flights appear to be repaired, allowing test flights to resume. And in what can be seen as a boost in confidence from the airline industry, there is a new record setting order for the CSeries.

It was announced last week that Macquarie AirFinance had signed a firm order for 40 CS300 aircrafts with an option for 10 more. No exact price details were released but the deal is estimated to be in the \$3 billion range and delivery of the aircrafts will be staggered from 2017 to 2019.

Macquarie AirFinance may not sound like an impressive buyer. But it is actually an aircraft leasing company with a fleet of 136 aircrafts spread over 73 operators such as Air France, British Airways, and Aeromexico.

Stephen Cook Chairman of Macquarie AirFinance said that, "The CS300 will allow us to offer our customers the only type of aircraft optimized for the upper end of the 100- to 150-seat market segment".

A vote of confidence

This is a colossal "thumbs up" for Bombardier from an airline market that has been rather hesitant towards the CSeries which is still in its infancy as a product. This deal is slightly larger than another order for 40 CSeries from Republic Airways Holdings Inc., although there are now rumblings that the deal with Republic could be in jeopardy.

This new deal brings the total number of CSeries aircrafts with firm orders to 243, edging closer and closer to the 300-order goal set by Bombardier. That goal could be even closer to being reached if talks with a pair of Chinese customers turn into firm orders.

The belief within the industry is that many companies are waiting for a more "mature" version of the

CSeries that has been fully proven to emerge before opening their cheque books.

Another factor here is that the order is for the CS300 model, the larger version of the craft. Many of the recent orders that have been announced have been for the smaller CS100 model.

Will the stock take off soon?

The big question now is what this news means for investors. The \$3 billion in revenues will be a nice boost to the books, but it will be spaced out between 2017 and 2019. So there won't be much of a spike in the stock in the short term, though we did see a slight boost on Friday that brought the stock to \$3.63. But this is only \$0.03 higher than where it was following the Braathens Aviation AB announcement.

The potential growth in the stock price is directly proportional to the success of the CSeries, and until the CSeries becomes a hit in the aviation industry the stock price will continue to suffer. This however could provide an interesting window of opportunity for patient investors willing to wait out the storm. Already the average price target has climbed to \$4.06 with a top end price of \$5.50.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:BBD.B (Bombardier)

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Date

2025/07/19

Date Created

2014/09/29

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