



## Is Bombardier Inc. Doomed in 2015?

### Description

The last five years have been a struggle for **Bombardier Inc.** ([TSX:BBD.B](#)) with the company's stock declining about 20%. Contributing to Bombardier's decline has been the company's CSeries jet, a project that has been ended and restarted twice. Initially scheduled to be in service in 2013, now, the company is promising that this jet will enter service in 2015. If this deadline is not hit, it could spell big trouble for the company.

### CSeries challenges

The CSeries, a new plane that has been in development since 2004, has met multiple hiccups along the way, and now the company is targeting the plane will be ready in the second half of 2015, a deadline most analysts think the company will fail to meet.

The CSeries is a medium-range aircraft that could add greatly to Bombardier's bottom line. By the time it reaches full service it could contribute US\$8 billion in revenue, but so far challenges have eaten up US\$4.4 billion in development costs. The airplane's delays have resulted in dramatic restructuring of the aerospace division, leaving concerns over the company's ability to financially survive another delay.

### Why 2015 deadline is a lofty goal

Challenges that the jet has already faced have "eaten-up" most of Bombardier's flex time when it comes to the aircraft's development. Before an aircraft can be successfully put into service, a certain amount of test flight hours have to be completed. While Bombardier executives say they are on track, analysts worry that the company is not. Given the aircraft's history of delays, they feel Bombardier should be prepared for more challenges, but the company has left almost no room for error to meet its goal.

### Fall-out of a deadline miss

Analysts and Bombardier management are not on the same page when it comes to the potential for a CSeries plane to be in service in 2015. Bombardier's Chief Executive Pierre Beaudoin recently told analysts that test flights are right on track, and he is "very confident" of meeting the service deadline.

By basically promising that the company's new jet will be in service this year, Bombardier may stave off a steep fall in stock value in the near term, but if the target is missed it could spell disaster for the company.

If the company does miss its goal again, it risks scaring off the remainder of investors keeping faith in the company. If it is a major error that causes the missed deadline, then there is risk that the entire program will be scrapped, costing the company over US\$4.4 billion in cash, and putting its financial health, and future, in serious jeopardy.

With the Street and Bombardier management taking completely different sides on whether the plane will soon be in service, I think its best to wait on investing in Bombardier right now.

## **CATEGORY**

1. Investing

## **TICKERS GLOBAL**

1. TSX:BBD.B (Bombardier)

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1. Investing

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