



## Why Next Week Is Crucial for Bombardier Inc.

### Description

It's been a tough month for **Bombardier Inc.** ([TSX:BBD.B](#)). On January 16, the company's shares fell about 38% in less than two weeks and since then, it has been in the news for all the wrong reasons.

Less than a month ago, Bombardier announced it would be pausing its business jet program – the LearJet 85. That, along with the fact that the company lowered its 2014 guidance, pulled the stock to its lowest level in over a decade.

Bombardier not only revised its 2014 guidance, but also announced a pre-tax write-off of \$1.4 billion for the fourth quarter due to the Learjet 85 program. That caused investors and analysts to ring alarm bells as they continue to be deeply concerned about the company's liquidity. Of course, CEO Pierre Beaudoin, reassured investors that the company has enough liquidity to develop its current aircraft programs, including the CSeries.

I'm not yet fully convinced. Bombardier has repeatedly disappointed over the past year on many fronts. Its CSeries is yet to take off (excuse the pun) after more than its share of delays, the company has not met its earnings guidance, and moreover, it continues to lower its forecasts. Its short-term capital resources stood at about \$3.8 billion at the end of 2014. That includes cash of roughly \$2.4 billion.

As per Bombardier's new guidance, the company expects to end the year with a minimum \$3 billion in liquidity (including \$2 billion in cash). Take into account the \$1.4 billion charge due to the Learjet 85 project, and the company's liquidity position looks rather concerning.

It's no surprise that investors are quickly losing patience with this company. For now, there's only one thing that reinforces investors' confidence: consistent delivery.

Bombardier needs to start delivering on its promises and step up its game. It needs to get the CSeries off the ground and fix its balance sheet and cash flow levels.

### D-Day for Bombardier?

Next week, February 12, will be key for the company as Bombardier is scheduled to report its earnings

for the quarter. A lot of focus will be on its cash flow levels and more importantly, its guidance for the future.

In order to win back investors, I think it also needs to set a reasonable guidance for the future. And then, of course, deliver on that forecast.

I would wait for all of the above to happen first before I consider investing in the stock again. It's going to take a lot for Bombardier to regain the trust of its shareholders and potential investors. If the company is very careful, it just might be able to weather this storm.

## **CATEGORY**

1. Investing

## **POST TAG**

1. Editor's Choice

## **TICKERS GLOBAL**

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