



## Why I'm Still Not Convinced Bombardier Inc. Is on the Right Track

### Description

It's been a stormy few months for **Bombardier Inc.** ([TSX:BBD.B](#)). The once-loved Canadian aerospace and transportation company has been going through rough weather with investors as it repeatedly disappoints on almost all fronts. Most recently, the company's balance sheet has come under scrutiny as Bombardier slashed its dividend and analysts raise concerns over the company's liquidity position.

Bombardier is doing everything it can to try and win investor confidence back, including replacing its CEO. But I'm still not convinced the company is a good investment at this point in time. Here's why.

### Weak balance sheet

My biggest concern is Bombardier's weak balance sheet. The company's net income for the fourth quarter fell to a whopping \$1.6 billion for the fourth quarter, compared to \$79 million during the same time last year. Of course, most of this (\$1.4 billion) is due to the write-off after suspending its business jet program – the Learjet 85.

More importantly, its cash flow for the quarter also dropped to \$590 million from \$771 million a year ago. To add to that, last week, Bombardier suspended its dividend and announced it will raise up to US\$2.1 billion in debt and equity. That's not a good sign despite Bombardier executives' insistence that the company is in stable financial position to develop its projects.

### CSeries delays

The CSeries is another major concern for me. Sometimes I wonder if it will ever take flight. The only progress it seems to be making is getting delayed further and piling up its costs. The original cost of the project was estimated to be about US\$3.4 billion. Today that has soared to about US\$5.4 billion. I may be a tad harsh about the progress of the CSeries, but I would need to see it to believe it.

Another concern I have about the CSeries project is that Bombardier is using it to try to enter a new market where it has no existing customer base. That's an ambitious task, especially given the challenges the project has already faced. The company aims at reaching 300 orders by the time the

first planes are expected be delivered to customers this year. The current order status is 243.

Many analysts and experts feel the new CEO may be able to turn the company around and win back investors. They also believe he may be able to get the CSeries going and put the company back on track. This may be a possibility. But until proven otherwise, I will continue to remain skeptical and would recommend sitting on the sidelines when it comes to buying this stock. It's too risky for me.

## CATEGORY

1. Investing

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1. Editor's Choice

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