



## Should You Reserve a Seat at the Bombardier Inc. Show?

### Description

Some contrarian investors are starting to kick the tires at **Bombardier Inc.** ([TSX:BBD.B](#)), but the wait for a recovery might be a long one, and newcomers to this act could end up with nothing but a sore foot.

Let's take a look at the current situation to see if Bombardier is getting ready to close the curtains.

### Musical chairs

Bombardier has been burning through cash like there's no tomorrow, as it struggles to get the beleaguered CSeries project off the ground. The program is already two years behind schedule and 60% over budget.

With angry investors pounding on the doors, Bombardier recently decided something had to be done. In an effort to appease the audience, the company's board brought in a new CEO to replace the lead actor, Pierre Beaudoin.

The new head honcho, Alain Bellemare, is the former boss at **United Technologies Corp.**, and the market generally believes he is qualified for the job.

Unfortunately, there's a catch.

Beaudoin moves from the CEO position up to the role of executive chairman. Yup, that's right, he got promoted. This is what happens when you have a couple of families (Beaudoin and Bombardier) controlling the voting rights of a company through a dual-class voting structure.

I'm sure Bellemare has the skills to run the show, but unlike most new CEOs who get a chance to really shake things up, he will have to clear every major decision with the guy he replaced, because Beaudoin is his new boss. So, has anything really changed?

### Burned investors

The powerless common shareholders who have faithfully supported the company through the entire CSeries fiasco must be feeling like they just were run over by one of the company's trains. At the same time it announced the CEO change, Bombardier cancelled the dividend and subsequently issued more than \$1 billion in equity at a painful \$2.21 per share. The company has also loaded up on \$2.25 billion in new debt.

Existing shareholders not only lost the distribution, they also just saw their piece of the pie get a lot smaller.

There's no doubt these loyal fans would love to give the Beaudoin/Bombardier clan a piece of their mind. Normally, shareholders get a chance every year at the company's investor day, but not this time. The annual meeting was expected to take place on March 11, but the company has decided to postpone the event because the new CEO isn't quite ready to take the stage.

Still thinking about hitting the buy button?

### **Frustrated customers**

Waiting for the CSeries is a bit like waiting for Godot, but unlike the characters in Beckett's play, Bombardier's customers are simply moving on.

Qatar Airways CEO, Akbar Al Baker, recently said the company has given up on the idea of doing a deal for the CSeries planes, "because you can't wait indefinitely."

A number of analysts are skeptical that Bombardier will meet its year-end delivery target for the first new jets. Airlines normally pay when they take delivery, so further delays could cause another cash crunch. Bombardier hopes to sell 300 CSeries jets by the time the first one gets delivered. The company is still well short of that mark.

### **Should you buy?**

At this point, the risks of owning the stock probably outweigh the potential rewards. The government won't let Bombardier go bust, but shareholders hoping for a rebound could be waiting for a day that never comes.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. TSX:BBD.B (Bombardier)

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