



Bombardier Inc. Gets New CSeries Orders. Is This a Turning Point for the Company?

Description

Troubled Canadian plane and train maker Bombardier Inc. ([TSX:BBD.B](#)) seems to have finally caught a break. The company says it has received a new order for 20 of its highly anticipated CSeries jets. The order is worth \$1.5 billion and has been placed by a new, low budget Malaysian airline, Fly Mojo.

This ray of hope comes after a slew of disappointments in the recent months. The company's balance sheet is the biggest concern at the moment, due to its liquidity levels. Bombardier also cut its dividend, suspended its corporate jet product line, and laid off a bunch of employees. Not to mention the numerous delays on the test flights of its CSeries.

In an attempt to win investors' confidence back, Bombardier brought in a new CEO and even got a few CSeries jets off the ground for successful test flights.

Now, Fly Mojo says it intends to purchase 20 CS100 jets with the option of increasing that order to another 20. While this is encouraging, I'm still not jumping for joy to hear this news. After all, the deal isn't done yet and Bombardier hasn't put the money in the bank. We've previously seen Russia cancel orders it placed for jets. So, until the transaction is complete and the ink is dry, I'm not getting my hopes up.

Of course, the likelihood of this Malaysian airline deal going through is far more encouraging than the deal was in Russia's case. That's because senior representatives of the Malaysian government were present at the signing ceremony. Fly Mojo will also be the first CSeries customer in Southeast Asia if this deal is complete.

Risks still prevalent

Bombardier is trying everything it can to win back the love shareholders once had for the company. But there are two key things that need to happen before I can seriously consider buying shares of the company.

First, and most importantly, Bombardier should strengthen its balance sheet and increase cash flow.

Second, the CSeries should be officially on the market and delivered to customers. The total orders for the CSeries jets stands at 603—this includes firm orders, letters of intent, including Fly Mojo's, and other commitments for the CSeries. That number could very well increase, given the progress in test flights. June would be an interesting time to gauge the demand for the CSeries, as the Paris Airshow takes place at that time.

Until then, I'm staying away from Bombardier.

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1. Editor's Choice

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1. TSX:BBD.B (Bombardier)

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