



The 3 Big Takeaways From Bombardier Inc.'s Q1 Results

Description

On Thursday, **Bombardier Inc.** ([TSX:BBD.B](#)) reported earnings for the first quarter of 2015. There wasn't any bad news, which is a nice break for the company's shareholders. As of this writing the shares have jumped 2% in response.

That said, there were some big news items in the report. Below we take a look at the top three.

1. An IPO for Bombardier Transportation

Bombardier is the world's largest maker of planes and trains, but these two businesses don't really have a lot of synergies. So, when the company ran into financial trouble, investors began wondering if the train business (known as Bombardier Transportation, or BT) would be sold off. For its part, Bombardier said it was exploring all options.

We now have a better idea what will happen. Bombardier has announced that it will launch an initial public offering for shares of BT. This move allows Bombardier to raise billions in new capital (which will likely be used to pay down debt), all while keeping majority control of the business. It also provides Bombardier with added flexibility. Down the road, the company can sell its majority stake in BT, or even take the business private again.

If you're looking to own a piece of BT, it may not be that easy. Bombardier will likely list the shares in Germany, where the business is based.

2. Liquidity concerns are no more

At the beginning of this year Bombardier was in serious financial trouble. Its debt totaled more than US\$7 billion, and cash was flowing out the door (mainly because of CSeries development costs). Meanwhile, a US\$750 million debt payment—due in early 2016—may have been difficult to make if the CSeries encountered more delays.

To Bombardier's credit, it reacted forcefully. The company raised an extra US\$2.25 billion in debt, and nearly US\$900 million in new equity. As a result, the company has US\$6 billion of available short-term

capital, including US\$4.7 billion in cash. So, Bombardier should have no trouble staying afloat.

3. More progress for the CSeries

Importantly, there were no new delays announced for the CSeries, which is always fantastic news for Bombardier's shareholders. But there were some small CSeries updates in Bombardier's press release.

First of all, flight testing is progressing well, and 50% of the planned flight test hours have been logged to date. Secondly, Swiss International Air Lines will be the first airline to take delivery and operate the CS100 aircraft. It should also be noted that the CSeries will be displayed at this year's Paris Air Show, which is scheduled for mid-June. This announcement was originally made in early March.

Still some dark clouds

At this point, the CSeries seems to be well on its way. That's the good news. The bad news is that orders are still lagging behind expectations, and Bombardier's larger competitors are not playing nice.

The Paris Air Show will be the next big test for Bombardier. If CSeries orders don't pick up then, expect some more pain for shareholders.

CATEGORY

1. Investing

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1. TSX:BBD.B (Bombardier)

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