



Judgement Day Is Coming for Bombardier Inc. in Paris

Description

It's safe to say that **Bombardier Inc.'s** ([TSX:BBD.B](#)) CSeries program has been a disaster thus far. The jet is two years behind schedule, is US\$2 billion over budget, and its 243 firm orders are well short of its 300 target.

That being the case, the CSeries plot-line is far from over. And a big climax is coming in just one month's time. Below we take a closer look.

The Paris Air Show

From June 15th to June 21st, the International Paris Air Show will be staging its 51st edition. It's easily the longest-running aerospace trade show in the world, and it gives thousands of exhibitors the chance to show off their products.

Bombardier will be showcasing both the CS100 and CS300 jets at the event, and will hope to generate some strong buyer interest. Shareholders are hoping this will lead to some new order announcements, something that hasn't happened since September.

In fact, some analysts are referring to Paris as "make or break" for Bombardier. For its part, the company isn't pinning its hopes on just one trade show. But now that the CSeries program is (finally) nearing completion, more customers are willing to take a closer look at the jets. So, this is a very big opportunity for Bombardier, one that could determine the future of the CSeries.

So, what are Bombardier's chances?

Bombardier is facing a couple of big problems as it attempts to sell the CSeries.

First of all, larger rivals **Boeing** and Airbus are determined not to let the CSeries succeed, and have been fighting back with heavy discounts. Both companies can afford to do this—thanks to their size, they operate at lower costs. Airbus has been particularly aggressive. One report indicated the Airbus A320 has been discounted by as much as two-thirds from its list price.

Secondly, the CSeries' fuel-efficiency advantage is minimized by the fall in oil prices. As put by The Motley Fool's Adam Levine-Weinberg, "Given the widespread availability of cheap used A319s—and to a lesser extent, Boeing 737-700s—it's hard to justify spending tens of millions of dollars more for a CSeries jet with jet fuel prices below \$2. Even with 20% lower fuel consumption, it would take an extremely long time to save enough on fuel to justify the CSeries purchase price."

It's no wonder the last CSeries order announcement came in late September. That day was also the last day that oil traded for more than US\$95.

Should you buy or sell the stock?

At this point, I don't think Bombardier's challenges are fully appreciated. For example, RBC Capital Markets analyst Walter Spracklin sees light at the end of the tunnel for Bombardier and believes "we are entering a near-term new order window for the CSeries."

Clearly, Bombardier's experience in Paris could disappoint some people. Consequently, there's still plenty of downside for the stock. I would stay away.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:BBD.B (Bombardier)

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