



3 Reasons to Be Optimistic About Bombardier Inc.'s CSeries

Description

As the CSeries nears completion, analysts are focusing ever more on the plane's order total. Thus far, the CS100 and CS300 have secured a combined 243 firm orders, well short of the 300 target set by **Bombardier Inc.** ([TSX:BBD.B](#)). Even more worrying, there haven't been any new order announcements since late September. And one customer, Ilyushin Finance of Russia, may look to renegotiate its terms.

Clearly, there are reasons to be pessimistic. The CSeries may be the best plane of its kind, but larger competitors like Airbus are offering deep discounts to keep the CSeries at bay. Even worse, plummeting oil prices have weakened the fuel-efficiency advantage that the CSeries offers.

That said, there are some reasons to be optimistic about the CSeries, and below we take a look at the top three.

1. No more uncertainty

Bombardier's development of the CSeries has not gone smoothly, to say the least. The plane is about two years behind schedule, and this has tested the patience of airlines. As put by Qatar Airways CEO Akbar Al Baker, "We have completely forgotten about it because you cannot wait indefinitely."

Bombardier is not the first aircraft manufacturer to incur such delays. The Airbus A380 was also two years late. The 787 from **Boeing**, also known as the Dreamliner, was delayed by three years. Airlines still remember what it was like to wait for those planes, and certainly didn't want to repeat that experience with the CSeries.

But now that the CSeries is nearing certification, airlines could easily be a lot less hesitant. We'll certainly find out in the next few months.

2. Still the best product

In response to the CSeries, Airbus re-engined its A320 plane, and Boeing did the same with its 737. But the CSeries, with its clean-sheet design, is still undoubtedly the best product of its kind.

Bombardier claims the CSeries burns 20% less fuel, comes with 15% lower cash operating costs, and is quieter, too.

So, if airlines want the best product, they'll choose the CSeries. And if the oil price recovers, the CSeries will be that much further ahead.

3. New routes

There are a wide range of opinions about the 100-149 seat segment, which is where the CSeries competes. Some analysts have called it a shrinking segment. Bombardier, of course, sees many years of growth.

But there is one big reason to like this market: the rise of markets such as China and Africa. In China, there are a staggering 160 cities with a population higher than one million. Eventually, the people in these cities will want overseas flights without stopping in Beijing or Hong Kong first. In Africa, a continent still underserved by airlines, there are another 40 such cities. The 100-149 seat segment is perfectly situated to serve these markets, especially the CSeries.

It will take time for these new routes to develop, but the CSeries will be a state-of-the-art plane for decades. Ideally, Bombardier's difficulties will be completely forgotten in a few years' time.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:BBD.B (Bombardier)

Category

1. Investing

Date

2025/07/21

Date Created

2015/06/03

Author

bensinclair

default watermark