



Why This Week Could Be the Start of a Bombardier Inc. Turnaround

Description

There's been little good news surrounding **Bombardier Inc.** ([TSX:BBD.B](#)) in recent years. Its CSeries jet program has gone way over budget, has suffered years worth of delays, and has so far fallen short of order expectations. As a result, the company is saddled with US\$9 billion in debt, and its stock price has been hammered.

That said, there's still a lot of hope for the company. And if a turnaround does come, it will likely come this week. Below we take a closer look.

The Paris Air Show

From June 15-21, 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.

The CSeries will be on full display in Paris, and many analysts are hopeful this will translate into increased orders. Many potential customers will see the CSeries in action for the first time — notably, the plane was grounded (due to testing issues) at the Farnborough Air Show last year.

Some reasons for optimism

Bombardier has still only secured 243 firm orders for the CSeries, well short of its 300 target. Even more worryingly, there haven't been any firm orders since late September. But this time, there are reasons to be optimistic.

First of all, the CSeries should be certified by the end of 2015. This provides some much needed clarity for airlines, who don't like waiting indefinitely for planes to be delivered. As mentioned, the CSeries has suffered its share of delays, which likely held back some sales.

Secondly, Bombardier has just announced that the CSeries has exceeded performance targets in recent tests. It's just the kind of attention-grabbing headline that could garner customer interest in Paris.

Not so fast!

Before you go rushing to buy Bombardier shares, there are a couple of big things standing in the company's way.

First is the decline in oil prices. This is bad news for the CSeries, because the plane has better fuel efficiency than competing aircraft. So with lower fuel prices, that efficiency advantage is diminished. It's no coincidence that Bombardier's last order came when oil prices last traded above US\$95.

Second is the actions of competitors, particularly Airbus. The company has re-engined its A320 family of planes, and has been offering heavy discounts, all in an attempt to keep the CSeries at bay.

So the Bombardier turnaround is far from certain. If you're thinking of adding the company to your portfolio, don't make it too large of a position.

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