



Who Will Save Bombardier Inc.?

Description

Shares of **Bombardier Inc.** ([TSX:BBD.B](#)) are hitting new lows as investors begin to realize that a white knight is unlikely to fly in and save them from their misery.

The beleaguered train and plane maker's fans have been touting several scenarios for a resurgence back to the good old days, but most of those hopes have been dashed, and both investors and the company are running out of time and money.

Where have all the buyers gone?

Back in 2011 Bombardier said it would have 300 firm orders for the jets by the time the plane was ready to go into service. It was a reasonable thing to believe given the fact that the company already had orders for 90 planes and everyone still thought the CSeries would be in service by 2013.

Fast forward four years and the situation is much different than anyone expected. The CSeries still isn't ready and won't begin commercial flights until sometime in 2016, and the project is now more than \$2 billion over budget.

With just 243 firm orders, the company is still well short of its target, and there doesn't seem to be anyone pounding on the doors to get their hands on a CSeries plane. In fact, a customer hasn't signed up for a CSeries plane since September last year.

This is the one issue that should concern investors the most. Bombardier just left the all-important Paris Air Show without any additional orders, and that was supposed to be the place they were going to do some deals.

Considering the situation, you would think the company would be willing to sacrifice some margin to get a few extra sales. Maybe Bombardier isn't willing to move on its price. If that's the reason, then things might not be so bad. On the other hand, if airlines have simply decided to move on, investors are in for a lot more pain.

To its credit, Bombardier is still putting on a brave face. New CEO Alain Bellemare reaffirmed the goal

of 300 orders while attending the show in France.

Takeover rumours?

With the aerospace division stuck in the mud, investors have been hanging on to rumours that somebody like Warren Buffett or even the Chinese might come to their rescue.

Buffett likes Bombardier's Challenger business jets, but he is unlikely to buy the company. As for the Chinese, they just confirmed they have no plans to buy the rail business.

Selling off the rail unit

Bombardier has announced plans to sell part of the rail unit in an IPO in order to help pay down some of its debt.

The rail division has kept the company afloat in recent years, but even that part of the business is under pressure.

China's two largest state-owned train-makers, CSR Corp. and China CNR Corp., have merged to create CRRC Corp. and launched a massive global push to capture market share.

The company recently scored a victory that should worry Bombardier's investors. Last October China CNR won a US\$567 million contract to supply trains to Boston's transport system. The deal could spell big trouble for Bombardier if the rest of the U.S. begins to feel comfortable buying trains from the Chinese.

Bombardier simply does not have the financial resources to compete against CRRC on price, especially if the Chinese decide to forgo profits for a few years to get themselves entrenched in the North American market.

Should you buy Bombardier?

At this point, it is unclear if Bombardier can get things turned around before it burns through the rest of its cash and gets buried by its massive mountain of debt. Now that the shares are trading in penny-stock territory, investors can lose a lot of money in a very short time frame.

If you are a trader, there is some potential to play the volatility for quick profits, but long-term investors should probably look for other opportunities. In the end, it might be the Canadian taxpayer that comes to the rescue, but if things get to that point, investors will already be wiped out.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:BBD.B (Bombardier)

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