



Why Have Bombardier Inc.'s Shares Sunk to \$2?

Description

Not much has gone right for **Bombardier Inc.** ([TSX:BBD.B](#)) shareholders this year. The company was forced to raise more capital, it suspended its Learjet 85 program, its old CEO was ousted, and the CSeries has struggled to win new orders. After Wednesday's close the stock was down by 47% since January 1st.

And on Thursday Bombardier's shares sunk another 8%. So, what's gone wrong this time? More importantly, is this an opportunity to scoop up some cheap shares?

The Global 7000 and 8000

According to Aviation International News, Bombardier's Global 7000 and 8000 programs are being put under review. These two planes were originally scheduled for release in 2016 and 2017, respectively.

If this is indeed true, and the planes' arrival is deferred, it would be a big setback for Bombardier. The planes were meant to offer a combination of unrivaled luxury and long-range distances to the business aircraft market. Even the company's website refers to the 7000 and "unparalleled" and the 8000 as "incomparable."

That said, there was always a lot of uncertainty surrounding the program. There haven't even been any flight tests yet, and the plane features a new engine.

What does this mean?

One analyst has estimated the delay will last 18-24 months, which by itself would be a big disappointment for Bombardier and its shareholders.

There's another worry that jumps to mind: is this program under review because there are more problems with the CSeries? Does Bombardier need to preserve cash? After all, that's precisely why the company suspended the Learjet 85 in January. So, are there bigger problems here?

That seems unlikely. Bombardier has raised billions of capital since January, and the CSeries is

nearing completion. So, the company should have plenty of capital to get the jet to market.

In fact, this review could be very insignificant. Remember, Bombardier has a host of new executives, including a new CEO. They may just want to take another look at the company's programs, even if they've all been going well so far.

Is now a good opportunity to buy Bombardier?

In my opinion, the market has overreacted to these developments. So, if you believed in Bombardier before, now might be a good time to buy more shares.

But this is still a very risky company to own, one that has a lot of debt and a very uncertain future. Thus, if you don't own any shares yet, you may want to wait for early signs of a turnaround before jumping in.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:BBD.B (Bombardier)

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Date

2025/09/28

Date Created

2015/07/10

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