



Bombardier Inc. Shares Continue to Fall: What's the Right Move for Investors?

Description

Bombardier Inc. ([TSX:BBD.B](#)) shares hit an intraday low not seen since 1993 this week following a negative assessment on the future of business-jet sales due to concerns raised by Bombardier's bondholders on the company's direction.

Amin Khoury, the executive chairman of Florida's **B/E Aerospace** ([NASDAQ:BEAV](#)) told analysts on a conference call that "energy producing companies and governments have put a damper on capital spending which has negatively impacted business-jet sales. On a regional basis, new large-cabin business-jet demand has come under pressure as international markets that represented a significant source of demand have now become sellers, putting their used aircraft on the market."

That's likely been the main catalyst behind Wednesday's Bombardier selloff, said Benoit Poirier, a Montreal-based analyst with Desjardins Securities. "The business-jet environment remains very tough, especially on the international front," Poirier said.

In addition, bondholders held a conference call with Bombardier officials on Wednesday morning to discuss the company's position following the B/E Aerospace assessment. BNN reports there was no concrete answer from Bombardier as to whether it agreed with Khoury's opinions, perhaps because Bombardier may be reluctant to discuss such issues this close to its next earnings report on July 30 (the so-called "quiet period"). Either way, the conference call led to a sharp decline in Bombardier's bonds, followed by similar losses in the equity markets.

Problems mount

Montreal-based Bombardier has faced numerous problems this year, including serious issues with its CSeries jet program, which is far behind schedule, with no new orders since last fall. Weak oil prices haven't helped: the CSeries has better fuel efficiency than comparable aircraft, but that makes little difference when oil is as cheap as \$50 per barrel. Bombardier said earlier this month it is re-evaluating the production timeline for its Global 7000 and 8000 series, its largest business jets.

Corporate jets have traditionally been Bombardier's most profitable division. However, earnings from

the division will likely amount to just 7% of revenue this year, the aerospace company said in February. In addition, the company said it would cut 1,750 jobs at its business aircraft division due to a slowdown in production of the Global 5000 and 6000 models. Earlier this year, Bombardier suspended manufacturing work on its all-new Learjet 85.

It's been a tough market for smaller business jets, but the comments made by Khoury suggest the malaise is spreading to larger corporate jets, which were believed to be more robust.

So what's an investor to do?

On the one hand, investors currently holding Bombardier shares are likely better staying with the transportation company in the hope that the CSeries will eventually be certified and completed and the market for business jets will rebound, likely leading to stronger sales for Bombardier, ultimately boosting the stock price.

But unless you think Bombardier has hit bottom, there's little reason to buy new shares until the company gains some much-needed momentum.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:BBD.B (Bombardier)

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