



## 2 Reasons Why the Time Is Right to Buy Bombardier Inc.

### Description

**Bombardier Inc.** ([TSX:BBD.B](#)) has seen brighter days. The manufacturer of planes and trains has had a series of missed milestones over the past few months that have sent the stock to lows not seen since the early to mid-'90s. Year-to-date, the stock is down over 55%, and looking further back, it's in the red by over 60% in the past five years.

But does this deep discount make Bombardier a good buy? Let's take a closer look at some of the recent concerns and what they mean going forward.

#### 1. The CSeries delays are over

The CSeries jet is Bombardier's first attempt to enter the larger jet market dominated by **Airbus Group SE** and **Boeing Co.** The CSeries is a direct competitor to the A320Neo and 737MAX.

While the CSeries has promised to be more efficient and lighter than either of its competitors, delivery dates have been pushed back twice already due to delays. These delays have resulted in a number of airlines reducing or canceling their order, seeking firm delivery schedules from other manufacturers.

The CSeries generated a lot of attention and hype at the Paris Air Show, but no orders were sealed. Consensus among industry analysts is that the number of orders is expected to grow once the jet is finally in production in 2016, with many airlines taking a wait-and-see approach before committing given the delays up to now.

Despite this, Bombardier still has over 240 orders for the CSeries jet. This falls short of the stated target of 300 orders by launch, but the existing orders represent over \$6 billion in potential revenue. Additionally, this figure does not include the service and maintenance periods that follow delivery, which can span decades and bring in hundreds of millions more in revenue.

The CSeries is currently in the latter stages of testing, and with the current delivery date set for 2016, it seems unlikely that further delays or cost overruns will materialize.

## 2. The debt concerns will pass

Bombardier is sitting on a mountain of debt—the CSeries project alone is over budget by approximately \$2 billion. Considering the current market cap for Bombardier is under \$4.5 billion, this is a considerable amount by any means, let alone for just one product.

Bombardier did manage to raise additional funds a few months ago by issuing new shares, and has trimmed staff levels in some plants, but these are only short-term solutions to a real problem the company is going to face in the future.

Revenue from the CSeries project seems the likely solution, or at least a significant part of it. Once the CSeries is in production, the revenue could be upwards of \$70 million per plane.

In my opinion, Bombardier is currently undervalued and represents a good opportunity for the long-term investor willing to weather some short-term ups and downs.

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