



2 Ways Bombardier Inc. Can Make its Share Price Take off

Description

This year has been a nightmare so far for **Bombardier Inc.** ([TSX:BBD.B](#)). The CSeries has had trouble gaining orders. Two business jet programs have been delayed or suspended. The company has had to raise more equity. There's been some drastic management turnover. And the company's shares have sunk by over 60% just this year.

That being the case, the decline in Bombardier's share price is probably overdone. And for that reason there are two things in particular the company can do to give its shares a kick-start.

1. Sell Bombardier Transportation

In order to raise more money, Bombardier is planning to list its Transportation division on the German stock market, allowing the company to monetize a minority stake in its trains business. But Bombardier would do better to just sell the whole thing.

To put this in perspective, most analysts peg the value of Bombardier Transportation at roughly US\$5 billion. That's almost enough to cover the company's entire net debt.

Alternatively, Bombardier could use this US\$5 billion to restart its business jet programs, and perhaps design an extended version of the CSeries (perhaps calling it the CS500).

Bombardier may very well sell Bombardier Transportation in the future, and by listing the division in Germany, a proper valuation is easier to set. Investors should keep a close eye on how this develops.

2. Offload the CSeries

Selling the CSeries program to a rival aircraft manufacturer, such as **Boeing** or Airbus, would surely be controversial. But when looking at the evidence, it's clear that the CSeries program would be worth more in another company's hands. There are a number of reasons why.

To start, the CSeries is facing fierce competition right now, especially from Airbus. The European juggernaut has been heavily discounting its A320neo series of planes in an attempt to keep the

CSeries at bay. That's certainly not healthy for the industry as a whole. If Airbus purchased the CSeries program, then that dynamic would likely improve.

Secondly, as mentioned, Bombardier is considering designing a larger CSeries plane. These types of projects usually pay off handsomely, since it only really requires expanding an existing design. But it's unclear if Bombardier has the money to do so. Meanwhile, Airbus or Boeing could certainly spare the cash.

Finally, offloading the CSeries would allow Bombardier to restart its business jet programs, enabling the company to focus on what it does best.

Once again, Bombardier may very well do this, but not before the plane is certified (otherwise, the sale would be too much of a disruption). So, shareholders will just have to wait and see.

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1. TSX:BBD.B (Bombardier)

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