



Is This the Start of a Turnaround for Bombardier Inc.?

Description

On Thursday and Friday, shares of **Bombardier Inc.** ([TSX:BBD.B](#)) surged, something that has not happened often this year.

What triggered this share-price increase, and is it only the beginning?

Progress on the CSeries

The CSeries jet program has gone through a number of setbacks over the years. Altogether, the plane is two years late and US\$2 billion over budget. Bombardier now claims the first CSeries jets will be certified by the end of 2015, but investors obviously have their doubts.

Those doubts were eased significantly on Thursday, when Bombardier announced the CS100 has completed 80% of its flight testing hours. So, it looks like certification is very near. The company also confirmed the plane's fuel burn advantages.

What does this mean for the company?

For now, Bombardier is solely focused on getting the CS100 certified. From that point forward, the company has more options.

For example, the company could sell the program to a competitor such as **Airbus Group SE** or **Boeing Co.**. Either company would likely pay top dollar for a plane such as the CSeries, especially since they've both had difficulties developing models of their own. And such a move would give Bombardier some much-needed cash, which could be used to pay down debt or restart its Learjet 85 business jet.

Alternatively, Bombardier (if it can find the money) could develop a larger version of the CSeries, perhaps calling it the CS500. Such investments usually pay off, since they really only require extending an existing fuselage.

Does this mean you should buy the stock?

Assuming Bombardier can complete the CSeries on time, its stock looks seriously undervalued.

To illustrate, Bombardier Transportation could probably be sold off for US\$5 billion, and the company has another US\$3 billion in cash. Assuming the CSeries could be sold for US\$3 billion (barely half its total development costs), the company could pay back all its debt with US\$2 billion left over. Meanwhile, the company as a whole is valued at just US\$2.3 billion.

Yet this doesn't necessarily mean you should buy Bombardier. The company is still in a state of limbo right now, and no one is sure of what the future holds. The business jet market is weakening, and none of these businesses have yet been sold off. We have no idea what new CEO Alain Bellemare has for the company.

But Bombardier is certainly worth keeping an eye on, because there very likely could be an opportunity once the CS100 is certified. That day now seems a lot closer.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:BBD.B (Bombardier)

Category

1. Investing

Date

2025/07/21

Date Created

2015/08/24

Author

bensinclair

default watermark