



## This Is 1 Anniversary Bombardier Inc. Will Not Be Celebrating

### Description

This Saturday marks the one year anniversary for the CSeries's last firm order, which came from leasing company Macquarie AirFinance. It's an anniversary that **Bombardier Inc.** ([TSX:BBD.B](#)) will not be celebrating.

So, why hasn't the CSeries achieved more success in the past year? And more importantly, will the next 12 months be any more fruitful? We take a look below.

### What's gone wrong?

To make a long story short, everything has gone wrong for the CSeries.

For starters, the plane has endured multiple delays, and is now two years behind schedule. That's not only resulted in cost overruns, but it has also given industry heavyweights **Boeing Co** and **Airbus Group SE** time to catch up. The two companies have put newer engines on their competing planes, and have been heavily discounting them, too.

Making matters worse, oil prices have fallen, which diminishes the fuel efficiency advantages of the CSeries. Now all of a sudden, airlines have more incentive to buy a re-engined Airbus A320 or Boeing 737 than a CSeries plane. The used jet market has also supplanted CSeries orders.

Consequently, the CSeries has lost all momentum, and this itself is another deterrent to buyers. After all, airlines know they can afford to wait before any big purchase decisions.

When adding up all these factors, it's no surprise the CSeries hasn't received any orders for such a long time.

### Is there reason for hope?

Bombardier has indicated that more buyers have shown strong interest in the plane recently. But the company is still a long way from securing orders.

There are a few scenarios where Bombardier can regain momentum. One would be a recovery in the price of oil, which would make the CSeries look a lot more attractive.

Alternatively, Bombardier could start offering bigger discounts for the CSeries. Obviously that would hurt margins, but at least it would help restart momentum and could spur new orders. The CSeries may also win new orders once it is certified. Bombardier expects this to happen by the end of 2015.

If none of these things happen, then Bombardier still has one ace up its sleeve: it could sell the CSeries program to Boeing or Airbus. Either of the heavyweights would probably get more value out of the CSeries than Bombardier could, so they might be willing to pay a pretty penny.

### **Is now the time to buy Bombardier?**

I would hold off for now. There is still likely more bad news to come in the business jet market, and the CSeries is unlikely to win orders any time soon. Worst of all, the company still has roughly US\$9 billion in total debt.

But this is a much hated stock, so there may very well be an opportunity down the line, especially once the CSeries is certified. You should stay tuned.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. TSX:BBD.B (Bombardier)

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### **Date**

2025/07/22

### **Date Created**

2015/09/24

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