



Bombardier Inc.: Is There Finally a Light at the End of the Tunnel?

Description

For **Bombardier Inc.** ([TSX:BBD.B](#)) investors, there is finally some light at the end of the tunnel. On Thursday of last week, *Reuters* reported that the company expects to complete its certification testing for the CS100 by November 23.

Bombardier has thus far declined to confirm the timetable, but still expects the plane to be certified by the end of the year. In any case, if the company is able to meet this goal, then any delay would be a matter of weeks, rather than months.

So, what exactly would this mean for shareholders?

Less uncertainty

To understand how we got here, let's take a look back. Bombardier officially launched the CSeries program in 2008, intending to spend US\$3.4 billion on the plane, targeting a late 2013 date for the plane's maiden flight.

But numerous delays ensued, some for unspecified reasons. And this cost Bombardier in a number of ways. It allowed rivals **Boeing Co.** and **Airbus Group SE** to catch up. It cost Bombardier about US\$2 billion, about half the company's current market value. To top it all off, the delays hurt the company's credibility with customers and investors.

At this point, when Bombardier says flight testing will be finished by the end of this year, shareholders can be forgiven for being a little skeptical. Thus, if the company does indeed meet this target, it will remove a huge cloud of uncertainty. This would be very beneficial for the stock price.

Renewed momentum

It's been more than a year since Bombardier last secured a firm order for the CSeries. There are a number of explanations, such as intense competition or declining oil prices. But at the end of the day, airlines are taking a wait-and-see approach with the CSeries, because they know they can.

Once the CS100 completes its final test flight and that veil of uncertainty is lifted, airlines may feel a greater sense of urgency. This alone could spur more CSeries orders.

Is this the time to buy Bombardier?

Bombardier shares must look very tempting right now. But there are still far too many risks.

To start, the business jet market has severely weakened this year, mainly due to the Chinese economy. Bombardier has also been burning cash at an alarming rate, which doesn't bode well for its balance sheet. The transportation unit continues to fall short on margins.

We'll receive a lot more clarity on Bombardier's prospects on October 29, when the company reports third quarter earnings. In all likelihood, there will be something reported that investors hate. And that could provide a much better opportunity to buy shares. Stay tuned.

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