



## All Options Are on the Table for Bombardier Inc.

### Description

It's safe to say that **Bombardier Inc.** ([TSX:BBD.B](#)) needs more money. The company has been burning cash at an alarming rate—US\$1.6 billion through the first six months of this year—and has only US\$3 billion of cash left. Worse still, the company has roughly US\$9 billion in debt.

And now it appears that all options are on the table. *The Globe and Mail* is reporting that, according to anonymous sources, Bombardier “has hired investment bankers to look at a variety of financing options.”

So, what do these financing options look like, and will they be enough?

### The rail division

Bombardier Transportation (BT) is the likeliest source of cash for Bombardier at this point. The company has already announced plans to divest a minority stake in BT through an initial public offering (IPO), and that is still planned for later this year.

The IPO may be only the beginning. BT has a presence in over 40 countries, so various joint ventures could be possible. Or individual units could be spun off.

Selling BT entirely would probably make the most sense. After all, *Reuters* has reported that a Chinese state-owned company was willing to pay up to US\$8 billion for the whole thing. But an outright sale comes with some challenges. For starters, BT has a long history, and giving up the business unit would be tough for the Beaudoin family. Furthermore, the government of Quebec would have an issue with local jobs being at risk.

### Aerospace

Amid disappointing results last year, Bombardier split its Aerospace division in three. The company reported results for business aircraft, commercial aircraft, and “aerostructures and engineering services.” The split was meant to increase accountability, but it may also have given the company more financing options.

Bombardier can now raise cash from any of those business units. Again, this can include joint ventures or partial sales.

One other option (which I have advocated for in the past) is selling the CSeries program to **Boeing** or **Airbus**. But I wouldn’t count on that happening any time soon. Selling the CSeries would be a particularly large step back for the Beaudoins, and is even more politically difficult than selling BT.

### **Could there be more debt or equity?**

The last time Bombardier needed more cash, it raised more than US\$3 billion of new debt and equity.

Such an option is unlikely to be used again. Bombardier already has too much debt, and investors would be reluctant to lend the company even more money. Equity would also be expensive, given Bombardier’s collapsed share price.

But Bombardier still has plenty of options, and will eventually need to go with one of them. This story is not over.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. TSX:BBD.B (Bombardier)

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