



Bombardier Inc.: Is Québec's Pension Plan About to Buy a Boatload of Shares?

Description

It's no secret that **Bombardier Inc.** ([TSX:BBD.B](#)) needs more money. The company has US\$3 billion of cash on its balance sheet (as of June 30th), but that is after burning US\$1.6 billion through the first six months of this year.

So, Bombardier needs to do something to raise more funds. And according to *Reuters*, this may come sooner rather than later.

A familiar source

Reuters is reporting that, according to anonymous sources, Bombardier is in discussions with the Caisse de dépôt et placement du Québec about a deal to inject more cash into the company.

This shouldn't surprise anyone. Caisse is already one of Bombardier's largest shareholders, and the pension fund has a mandate to protect the best interests of Québec. Earlier this year, Québec's economy minister said the province would help Bombardier if the company needed it. One unnamed analyst thought this was code for a cash infusion from Caisse.

What remains unclear is the structure of such a deal. But it's unlikely that it would be mainly composed of debt—Bombardier already has US\$9 billion of debt on its balance sheet. So, it's much more likely that Caisse's ownership in the company would increase, perhaps very significantly.

It's also unclear whether or not Bombardier will have to abandon its ownership structure, one that gives family insiders majority control of the company. We know that Caisse has asked for this in the past, and that Bombardier has little leverage in these negotiations. Only time will tell.

What does this mean for Bombardier's stock price?

If Caisse secures greater ownership of Bombardier, you shouldn't expect investors to like it. After all, Bombardier's stock tanked the last time it decided to raise more money back in January.

Investors may be more forgiving if Bombardier is forced to abandon its ownership structure. After all,

Bombardier's shareholders have been frustrated for decades by the company's mismanagement, and would surely welcome greater control.

But there could be a nasty side effect to a change in ownership structure: greater influence from the province of Québec. Remember, the government's number one priority is serving the people of Québec, not Bombardier's shareholders. So, if the province gains too much influence, then Bombardier's prospects may be hurt in the long run.

Other options are available

This is by no means a done deal. Other sources have indicated that Bombardier is looking at other financing options, including the sale or joint venturing of certain business units. These kinds of moves would be much more welcome than a sale of stock to Caisse.

So, there are a lot of different things that Bombardier can do in the short term, and the company reports third-quarter earnings at the end of October. It's still too risky to buy the shares, but this is a company you should certainly keep an eye on.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:BBD.B (Bombardier)

Category

1. Investing

Tags

1. Editor's Choice

Date

2025/09/28

Date Created

2015/10/06

Author

bensinclair

default watermark

default watermark