



A Ranking of Bombardier, Inc.'s 4 Fundraising Options

Description

It's no secret that **Bombardier, Inc.** ([TSX:BBD.B](#)) is running short of cash. Luckily, there are plenty of ways the company can raise more capital, each with their own pros and cons.

We take a look at the top four ways below. Just like David Letterman, we'll start with the least appealing option, working our way up the list.

#4: More debt and equity

In February, the last time Bombardier needed more money, this is the route it went with. In total, the company raised \$1.1 billion in equity and another US\$2.25 billion in debt.

But this option would be far from ideal today. Bombardier already has US\$9 billion of debt on its balance sheet, and investors will be weary if the company takes on any more. And raising equity would be costly, given how far its stock price has fallen.

#3: Caisse de dépôt et placement du Québec

The Québec government has made it very clear that it's willing to help Bombardier. Such aid would likely come in the form of a cash infusion from the Caisse de dépôt et placement du Québec.

This is more appealing than raising capital through the public markets, since the Caisse is more willing to invest in Bombardier than private investors are. Yet this is still a bad option, since it would mean more debt or equity for the company. Bombardier's founding family may also resist this option, since it would likely mean giving up voting control.

#2: Partial spin-offs

This is the one option that Bombardier has already been pursuing. The company is planning to sell a minority stake in Bombardier Transportation (BT) through an IPO later this year. And it has held discussions with **Airbus** about a partnership in the CSeries program.

This is certainly a more appealing option than raising more capital. But it comes with some problems. Regarding the CSeries, the partnership structure would likely lead to complications, and the Québec government may want to get involved. And the BT IPO won't raise very much capital.

#1: Outright sales

Rather than spin off a minority of the rail business, Bombardier should sell the whole thing. After all, a Chinese buyer reportedly was interested in paying US\$7-8 billion for it. By comparison, the IPO was expected to value BT at US\$5 billion.

Likewise, Bombardier would do better by selling the CSeries program in its entirety. Doing so would avoid a messy partnership, and allow Bombardier to focus more on smaller jets.

Even though these are the best options, you shouldn't be holding your breath, mainly because of the Québec government's opposition. The founding family is also opposed to the idea, perhaps because it would mean giving up a part of the company's legacy. Once again, doing what's best for shareholders is not Bombardier's top priority.

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