



Bombardier, Inc.: This Chart Shows Just How Fast Money Is Flying Out the Door

Description

By almost any standard, **Bombardier, Inc.** ([TSX:BBD.B](#)) has lots of liquidity. At the end of the June the company had just over \$3.1 billion of cash and equivalents as well as \$1.3 billion in undrawn credit lines.

But Bombardier is no ordinary company. It is burning cash at an alarming rate and will surely need more funding in the not-too-distant future. We take a closer look below.

The numbers

The chart below shows Bombardier's cash flow by quarter. It's not a pretty picture.

Quarter Free cash flow (USD, millions)

Q2/2015	-808
Q1/2015	-745
Q4/2014	590
Q3/2014	-368
Q2/2014	-424
Q1/2014	-915
Total	-2,670

There are a few reasons why the cash burn has been so severe, but the CSeries is the main culprit. The program is two years behind schedule and US\$2 billion over budget, which of course has put a big strain on cash flow. Making matters worse, the CSeries has not secured any firm orders for over a year.

There are other reasons for the cash burn. The business-jet segment is struggling primarily because of problems in the Chinese market. The transportation division is also performing poorly mainly due to poor order totals and high costs. All in all, the book-to-bill ratio is only 0.4 for its aerospace division and 0.45 for its transportation business, which indicates that sales are shrinking badly.

It won't stop

Bombardier's cash flow will get a slight boost next year when the company starts delivering the CS100 to customers (assuming there are no more major delays).

But cash will continue to flow out the door. Bombardier is still developing the CS300, as well as two new models of the Global business jet. The business-jet market could easily deteriorate further, and the transportation division is a long way from performing to its potential.

To put this in perspective, Scotia Capital analyst Turan Quettawala thinks the company will run out of cash sometime next year. Even if he's off by a few months, this is still a very serious situation for Bombardier.

The good news

If there is any good news to this story, it is that Bombardier has plenty of options for raising more cash and is not shying away from any of them. It can raise more capital from the public markets or from the Quebec government. Bombardier could also form partnerships with other companies, something it has explored this year. It could even sell off business units entirely, although this may be too big an undertaking.

We don't know which way Bombardier will go, but one thing is clear: the company has to do something. Time will tell what route is taken.

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Date

2025/07/21

Date Created

2015/10/22

Author

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