



Bombardier, Inc.: 3 Reasons to Expect Ugly Numbers on Thursday

Description

Bombardier, Inc. ([TSX:BBD.B](#)) is set to report its third-quarter figures on Thursday, and the prognosis does not look good. According to *The Wall Street Journal*, analysts expect the company to report \$0.04 in earnings per share for the quarter.

But even that figure may be optimistic. Below are three reasons to expect some terrible third quarter numbers from Bombardier.

1. The business jet market

To put it bluntly, the business jet market has been very weak in recent months, and Bombardier has been caught in the middle.

The main trouble has come out of China, where a slowing economy and an anti-corruption drive have severely crimped the demand for luxurious private jets. Making matters worse, many banks had entered the jet-leasing business and are now scrambling to sell their excess supply of planes.

The business jet market is also weak in Russia, where sanctions are taking a toll on the country's elite. The weak rouble has also made business flights to Europe more expensive. Consequently, European business jets are now heavily underutilized.

Because the business jet market is so weak, operators know they can get a used jet for pennies on the dollar. So, now is not the time to buy a shiny new plane from Bombardier. Thus, you should expect more weak numbers from the company's business jet division.

2. The CSeries

As we all know by now, the CSeries has encountered plenty of problems over its development, including cost overruns, repeated delays, and a disappointing order total.

Now it looks like the CS100 is nearing certification, and we should get an update regarding that on Thursday. One *Reuters* report suggested the final CS100 test flight would take place at the end of

November.

As any project manager will tell you, it is very difficult to cross the finish line. Unexpected costs tend to creep up at the end of a project's lifetime, and everything takes longer than initially expected. We could easily see some larger-than-expected costs from the CSeries.

Bombardier may also write down the value of the CSeries program, which would result in a big non-cash charge. In fact, this step is likely long overdue.

3. A state of flux

It's no secret that Bombardier is short of cash and that more money will need to be raised. No option is off the table for the company, whether it be a sale of the rail business, or a CSeries partnership, or an infusion of capital. The company is clearly in overdrive to determine the best possible course of action.

This process could easily take a toll on Bombardier as well as its employees. It may not show up in the financial statements, but corporate culture's influence should never be underestimated. And that is, without a doubt, working against Bombardier right now.

CATEGORY

1. Investing

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1. TSX:BBD.B (Bombardier)

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Author

bensinclair

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