



Did the Quebec Government Just Save Bombardier, Inc.?

Description

On Wednesday, **Bombardier, Inc.** ([TSX:BBD.B](#)) shares surged nearly 10% on an interesting piece of news.

According to a report from *Reuters*, there's one very good piece of news the company will announce when it gives investors quarterly results on Thursday. The Quebec government is expected to make a widely rumoured investment in the beleaguered company official, a move that would further move Bombardier away from bankruptcy.

It looks as though the investment will be specifically limited to the CSeries line of regional jets, a struggling program that needs no introduction for long-time followers of the company. The investment looks to be between \$1 and \$2 billion, which would be enough to cover about half of the remaining costs to finally get the project to market.

In return, the province will likely go for a stake in the much more stable Transportation division of the company. One analyst all but ruled out a pure equity stake in the stock, since it's down so much over the last year.

This is all very good news for Bombardier. It can't go back to the market to get financing, since investors are generally very bearish on its prospects. Any debt raised at this point would likely come with restrictively high interest rates.

In short, this is exactly what Bombardier needs. But will it be enough to get the company through its darkest hour?

The newest problem

It appears the company's liquidity problem is close to being solved. But we could be at the beginning of a new problem.

Nobody seems to want the CSeries.

Customers who have already put their orders in for the jets are getting tired of waiting, with some even going as far as announcing their displeasure to the press. Others are pressing pause on expected orders, like **Air Canada** did last year.

The question facing these airlines is simple. Why would they take a chance on a new, unproven aircraft when both **Boeing** and **Airbus** both have good planes? And perhaps most importantly, both Boeing and Airbus aren't announcing delay after delay.

Customers can see Boeing and Airbus planes in action. The planes' crews are familiar with them and their mechanics know how to fix them. The CSeries is an unknown at this point. Businesses in any sector hate the unknown.

There are certain advantages to the CSeries. Two of the biggest ones are the new planes are quieter than the ones offered by Boeing and Airbus, and Bombardier's new planes get about 25% better fuel economy. But until the company starts delivering planes and customers can see them in action, getting sales is going to be tough.

The number of planes in the pipeline thus far is attractive. But lately, there haven't been many additions to the backlog. Bombardier needs to start getting more orders for the risk of bankruptcy to go away permanently.

In short, this newest potential investment is good news for the company. But until it can show investors that it will actually make money on the CSeries, the stock is unlikely head much higher.

The recovery of Bombardier is a two-step process. Step one, which is securing the financing needed to get the CSeries to market, looks to be complete. Now it's onto step two, which is actually selling them. The jury is out as to how successful that will be.

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1. Investing

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1. Editor's Choice

TICKERS GLOBAL

1. TSX:BBD.B (Bombardier)

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Date

2025/07/08

Date Created

2015/10/29

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