



Is Bombardier, Inc. a Buy on the Quebec Government Deal?

Description

Call me surprised, but I did not predict the Quebec government coming in to partner with **Bombardier, Inc.** ([TSX:BBD.B](#)), effectively saving the company. According to Bombardier, the Quebec government agreed to invest US\$1 billion in a new limited partnership that controls the CSeries assets. The investment would give the Quebec government 49.5% of the CSeries assets, with Bombardier holding the very narrow majority.

On the surface, this is great news for Bombardier. Its liquidity issues, for the time being, can be put to rest, and now the company can focus on getting the airplane out to market. If you ask me, that's a huge step in the right direction, and that's part of the reason why Bombardier shares are up. But is Bombardier a buy on the Quebec deal?

I'm not so sure yet...

Bombardier is having an impossible time selling its planes. Had it launched on time, this wouldn't be a problem, but as the saying goes, hindsight is 20/20. Unfortunately, Bombardier did have significant delays with the CSeries, which have resulted in many of its clients giving up on the plane. **Air Canada**, for example, put its order on hold, unsure if it actually wants to acquire the planes.

That doesn't mean that no airline is interested in buying the planes. The CSeries is quite advantageous for some airlines. But the problem is that Bombardier still doesn't have the planes flying commercially. The company expects to finally have commercial flights in the first half of next year, but seeing how Bombardier has been late on everything else, I can't help but be skeptical about this deadline.

So, while the planes are quieter and more fuel efficient, airlines have to be smart about their acquisitions. I don't expect many of them to be putting money down on a plane until they know, without a doubt, that Bombardier is going to deliver.

Time to buy?

While I'm skeptical, that doesn't mean that Bombardier should be completely avoided. It has a sudden influx of cash from the Quebec government, and the company honestly believes the plane is just about

ready for commercial flights. Many investors have gotten very rich by purchasing stock in companies that were on the precipice, only to step back just in time.

Here's my advice: if you are going to buy shares in Bombardier, either start a small position and then acquire more slowly as more good news comes, or wait until the first plane is actually delivered. The former is obviously riskier, but the rewards are greater. On the other hand, buying when the company actually starts to exchange cash for planes is much safer, but might have less room for profit.

All in all, Bombardier is a risky play. There are certainly better stocks you can buy that will reward you in the long term.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:BBD.B (Bombardier)

Category

1. Investing

Date

2025/10/01

Date Created

2015/10/30

Author

jaycodon

default watermark

default watermark