



Bombardier, Inc.: Even After Certification, the CSeries Faces Some Major Challenges

Description

It's safe to say that the CSeries has been a disaster thus far for **Bombardier, Inc.** ([TSX:BBD.B](#)). This was confirmed by the company last week, when it wrote down the program's value by US\$3.2 billion.

Thankfully, the first of the CSeries planes—the CS100—is nearing certification. But that doesn't mean the troubles are over for the company.

Securing deliveries

The CSeries has secured 243 firm orders thus far, along with over 100 commitments. And starting in 2016, the company will attempt to maximize deliveries. That will not be an easy task.

Let's start with **Republic Airways**. The Indianapolis-based regional airline ordered 40 CSeries aircraft all the way back in 2010, but it has no use for the planes now. The airline doesn't even have enough carrier certificates to operate the CSeries. This order should still go through, but most analysts think the order will be transferred to another buyer. That won't help Bombardier as it attempts to secure more orders.

Bombardier also has a conditional order from Porter airlines, which hopes to fly the CSeries from the Billy Bishop Airport located on the Toronto islands. But the newly elected Liberal Party of Canada opposes the plan and has the power to stop it.

There are other orders that should raise worries. Odyssey Airlines, which has a firm order for 10 CSeries planes, is still trying to raise money through crowdfunding. And a total of 65 CSeries orders come from customers based in Russia or the Middle East.

Cash flow will remain an issue

Even after Bombardier starts delivering the CSeries, the program will not be cash flow positive. In fact, analysts are estimating that the CSeries will be a cash drain until the year 2020.

When asked a question on this topic, CEO Alain Bellemare did not provide any numbers or timetables. But he acknowledged that in the aircraft business manufacturing costs tend to start out very high before coming down eventually over time.

Unfortunately for Bombardier, this means the company will certainly need more funding, and it may have to come from public sources.

A larger aircraft?

If **Boeing** or Airbus had designed the CSeries, then a larger aircraft would probably be in the works. After all, such investments are usually worth the cost since most of the engineering work is done already.

Bombardier has not ruled out a similar move and has even copyrighted the phrases CS500 and CS900. But with cash flow being such a problem, you should not expect to see larger CSeries aircraft anytime soon.

To make a long story short, if you're looking for a predictable future or quick results, then you should sell your Bombardier shares right away.

CATEGORY

1. Investing

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1. TSX:BBD.B (Bombardier)

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Date

2025/07/21

Date Created

2015/11/05

Author

bensinclair

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