



Should Bombardier, Inc. Be on Your Radar?

Description

Bombardier, Inc. ([TSX:BBD.B](#)) might be the most talked-about stock in Canada right now, and investors have very different views of how the saga will eventually play out.

Troubled times

Bombardier is down 70% in the past 12 months, and the share price continues to fall amid concerns about the company's ability to survive.

Most of the pain is attributed to Bombardier's beleaguered CSeries jet program.

The new jets were supposed to be in commercial service more than two years ago, but difficulties have plagued the program and new customers have completely disappeared. In fact, Bombardier hasn't secured a new order for the planes since September 2014, and one analyst report suggests as many as 100 of the 243 planes that have been ordered are at risk of being delayed or never delivered.

Add to this a \$2 billion cost overrun coupled with a cash-burn situation that makes your head spin and you get a pretty scary picture of how bad things have gotten for Canada's iconic transport company.

Cash crunch

Bombardier needs money and it can't afford to go to the capital markets to get it. According to a report filed by *Reuters*, Bombardier approached **Airbus** about buying a stake in the CSeries program, but those talks failed.

Another *Reuters* report suggested a possible US\$8 billion buyout of Bombardier's rail division by a Chinese state-owned company, but that deal didn't work out either.

Bombardier also considered selling part of its transport business in an IPO. So far, those plans haven't left the station.

The Quebec government recently stepped in and handed Bombardier a \$1 billion lifeline. That will

certainly help in the short term, but the company will need more, and management is hoping the federal government will cough up another \$1 billion to help it get its first CSeries jets delivered next year.

Prime Minister Trudeau hasn't dismissed the idea, and analysts believe some aid will come from Ottawa given Bombardier's importance to the Quebec economy. The company employs nearly 18,000 people in the province, and Quebec voters are largely responsible for the Liberal Party's enormous win in the recent election.

Is the stock a buy?

Bombardier is facing challenges on all fronts. The rail business is struggling to meet deliveries on existing orders, and demand for the company's business jets has fallen out of the sky.

The CSeries was supposed to see strong demand due to its fuel efficiency, but low energy prices have driven jet fuel costs down so much that many airlines are crunching the numbers and deciding to either lease or buy old planes instead of forking out the big bucks for Bombardier's new ones.

If all the stars align, the company might make it through the storm and the stock could very well double or triple in the coming years, but that's a gutsy bet to make right now.

For the moment, I would avoid the stock.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:BBD.B (Bombardier)

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