



## Is Bombardier, Inc. Worthy of an Investment by Either You or Justin Trudeau?

### Description

On Monday, Nicolas Van Praet of *The Globe and Mail* reported that **Bombardier, Inc.** ([TSX:BBD.B](#)) is asking the Canadian government for a US\$1 billion investment in the CSeries program. This follows a similar request from Québec economy minister Jacques Daoust.

Will Ottawa make such an investment? And what would such a development mean for Bombardier's shareholders?

### Bombardier may get rejected

During a speech in mid-November, Prime Minister Justin Trudeau said that any investment in Bombardier must have a "strong business case" and not be made based on "emotion or politics or symbols." Unfortunately for Bombardier though, neither the politics nor the business fundamentals work.

Let's start with the politics. As would be expected, right-wing pundits are against any sort of bailout. *The National Post* even called Bombardier a "taxpayer headache." But here's the kicker: even left-wing publications (such as *The Toronto Star*) are against aiding Bombardier.

Making matters worse, a Bombardier bailout would be particularly unpopular in Toronto, a city that is grappling with the company's inability to deliver streetcars on time. Importantly, Toronto was a key part of the Liberal Party's majority in the most recent election.

The business case is poor as well. The CSeries is expected to be cash flow negative over the short to medium term and has not secured a firm order for 14 months. Making matters worse, Bombardier has shown no willingness to abandon its dual-class share structure, which gives the Beaudoin/Bombardier family effective control of the company.

### One other source of cash

If Bombardier is unable to get US\$1 billion from the Canadian government, there is one other reasonable way it can raise that money: Bombardier Transportation (BT).

Just last month, Bombardier sold 30% of BT to Québec's biggest pension fund—the Caisse de dépôt et placement du Québec (CDPQ)—for US\$1.5 billion. The general consensus is that CDPQ got a good deal.

So it stands to reason that Bombardier could raise another US\$1 billion by selling another 20% stake in BT, whether it be to CDPQ or another entity. At this point, there are practically no other options.

### **The best opportunities may be gone**

So this leaves the all-important question: should you buy Bombardier shares?

At this point, I would hold off. There may have been an opportunity if Bombardier was willing to sell the CSeries or BT to a foreign buyer. Such a transaction would likely have generated tremendous value for Bombardier's shareholders. But now that CDPQ and the Québec government have stepped in, it's clear that the company's shareholders are not being prioritized and there are very few catalysts for a higher stock price.

Your best bet is to look elsewhere.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. TSX:BBD.B (Bombardier)

### **Category**

1. Investing

### **Date**

2025/07/22

### **Date Created**

2015/12/02

### **Author**

bensinclair

default watermark