



## Should Bombardier, Inc. Be on Your Watch List?

### Description

**Bombardier, Inc.** ([TSX:BBD.B](#)) is trending lower again after a brief surge that was fueled by recent funding announcements.

The year certainly hasn't been a good one for investors, and many potential buyers of the stock won't even give it a second look, but a turnaround in 2016 could be in the cards if the company hits some key targets.

Here are the main items investors should be watching.

### CSeries deliveries

Bombardier's CSeries jet program is more than two years behind schedule and at least \$2 billion over budget. The delays have been chronic, but the project might finally be on the mend.

Bombardier has completed the required flight testing on the CS100 and expects to receive certification from Transport Canada by the end of this month.

That would pave the way for the company to get the initial CSeries planes delivered to customers. If the jets make it into commercial operation by the middle of next year, the market could start to come around on the stock.

### Sales slump

Bombardier has 243 orders for the new planes, which falls short of its 300-order target, and a new customer hasn't walked through the door since September 2014.

The company says several carriers are interested in signing up for the new planes, but that has been the official line for quite some time. Airlines might just be waiting to see the first planes go into service before committing to orders. If that's the case, then a turnaround could be in the works.

Some analysts believe the plunge in the cost of jet fuel is also having an impact. The CSeries is

marketed on its fuel efficiency, but the significant drop in the price of oil has made jet fuel a lot less expensive, and that has taken away some of the advantage of the new planes.

Global carriers have been crunching the numbers and many are leasing older planes rather than coughing up the big bucks for a new CSeries.

If oil prices start to recover next year, CSeries sales could get a boost.

### **Cash crunch averted**

Bombardier is burning through cash at an incredible rate, and the solvency of the company was starting to become an issue again until the Quebec government and the province's pension fund stepped in to help.

Quebec handed over US\$1 billion for a 49.5% stake in the CSeries project, and the Caisse du Depot & Placement du Quebec is buying 30% of Bombardier Transport for US\$1.5 billion.

The new funds should be sufficient to get the CSeries program completed, and analysts don't expect the company to need extra cash for another 18 months.

The near-term cash crisis has been averted, but investors should remain cautious. The CSeries project is not expected to be profitable until 2020, and that is based on the assumption that everything goes well in the next four years.

If the company gets a flood of new orders and deliveries all go according to schedule, Bombardier might actually get by without another cash infusion, but it is too early to make that bet.

If the orders don't come in or the program hits another snag, management could be looking for another bailout by the end of 2017.

### **Should you buy?**

The stock still looks risky. Contrarian types with a high risk tolerance might want to take a small position, but I would wait until the company delivers its first CSeries jet to a customer before buying.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. TSX:BBD.B (Bombardier)

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**Author**  
aswalker

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