



## 3 Things That Could Launch Bombardier, Inc. Higher

### Description

Shares of **Bombardier, Inc.** ([TSX:BBD.B](#)) remain stuck in the mud, but good news on a few key fronts could send the stock soaring next year.

#### 1. Certification of the CSeries

Bombardier says it has completed all the required test flights for the beleaguered CS100 jet and expects certification for the plane to come from Transport Canada by the end of the month. If the CSeries gets certified in the next week or two, the stock could get a nice boost because the market doesn't seem convinced that Transport Canada will come through before January.

#### 2. New CSeries customers

Certification could also pave the way for new orders to start rolling in.

Bombardier hasn't sold a CSeries jet since September 2014. The slowdown in interest from global air carriers has many analysts concerned that the CSeries program has simply missed its window of opportunity in the market.

The jets are more than two years behind schedule, and that has hurt both the company's reputation and its ability to sell the merits of the new plane.

The CSeries is billed as a more fuel-efficient alternative to existing planes offered by competitors. Back when WTI oil traded above \$100 per barrel, airlines were very interested in fuel efficiency. Today, oil prices are 60% lower, which means jet-fuel costs have also plummeted.

At current fuel prices, the competitive advantage of the CSeries is much weaker, and reports are coming out that air carriers are simply leasing or buying older planes at much lower prices than it would cost to buy a new CSeries jet.

Bombardier has orders for 243 CSeries jets. The company has hinted that a number of airlines are interested and it could still hit the original target of selling 300 new planes.

Any new order in the coming months would help boost the stock. If a large purchase comes from a major carrier, Bombardier's shares could actually soar.

### **3. CSeries deliveries**

The long delays in the CSeries program have hurt the company's brand, but the financial damage is more problematic.

Bombardier is sitting on a mountain of debt and recently had to sell 49.5% of the CSeries project to the Quebec government and 30% of the rail division to the province's public pension fund. The two deals brought in US\$2.5 billion, which should get the company through the next couple of years.

Airlines generally pay for new planes on delivery, so getting the CSeries orders into commercial use is of critical importance.

Bombardier plans to place the first CSeries in service by the middle of 2016. If the company manages to get the initial planes delivered early, the market should react positively.

### **Should you bet on Bombardier?**

The stock is down and out right now and analysts are starting to give it a 12-month target of just \$1 per share. That's not very encouraging, and it sends the message that expectations are pretty low for Bombardier to meet any of its current targets.

Contrarians with a strong appetite for risk might consider taking a small position, but I would wait until some good news actually arrives before buying the stock.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. TSX:BBD.B (Bombardier)

### **Category**

1. Investing

### **Date**

2025/10/02

### **Date Created**

2015/12/07

### **Author**

aswalker

default watermark