



Bombardier, Inc.: The Year in Review for 2015

Description

To say the least, 2015 has been a year to forget for **Bombardier, Inc.** ([TSX:BBD.B](#)), one in which the company's stock price has declined by more than 70%. We take a closer look below.

January-February: the bottom falls out

As the new year began, Bombardier was facing some big questions about its balance sheet. The company had roughly US\$8 billion in debt and had just burned through US\$1.1 billion in cash the previous year. Analysts generally thought that the company needed more capital and that the dividend was at risk.

These concerns only grew in January, when Bombardier cut its 2015 guidance and suspended its Learjet 85 program. The company's stock declined by more than 25% in response.

It only took one month for Bombardier's critics to be vindicated. In February the company suspended its dividend and announced a plan to raise US\$2.1 billion in new capital. Along with the announcement, Pierre Beaudoin relinquished the CEO role. All of a sudden, Bombardier's shares had declined by more than 35% less than six weeks into the new year.

March-August: the struggle continues

As the year progressed, Bombardier ran into other problems. A combination of low oil prices, intense competition, and timeline uncertainty was preventing the company from securing any CSeries orders. The business jet market continued to struggle mainly due to market weakness in China and Russia. And Bombardier Transportation continued to fall short of expectations.

As the year progressed, Bombardier continued to post terrible numbers, and it became clear the company would need yet more capital. Its stock price fell as low as \$1.03 in August after starting the year at roughly \$4.

September: merger speculation begins

Bombardier's shares rallied in September when *Reuters* reported that a Chinese company was willing to buy a majority of Bombardier Transportation (BT) at a US\$7-8 billion valuation. If Bombardier had agreed to sell all of BT at that price, it would have had enough cash to wipe out its entire debt load.

According to the report, Bombardier rejected the offer, saying it was not interested in selling a majority stake in BT. Yet for the first time in years, shareholders caught a glimmer of light in an otherwise dark tunnel. Bombardier's stock price closed at \$1.88 on September 10.

October-December: bailouts and a turnaround plan

As October began, it was becoming clear that Bombardier would not be selling BT to the Chinese. But then shareholders caught another brief glimmer of light when *Reuters* said Bombardier had discussed selling a majority stake in the CSeries to Airbus. The stock surged once again, only to fall right back down when both sides said the talks had ended.

By now it was clear what shareholders wanted: a breakup of the company with each piece being sold to foreign buyers. Bombardier crushed those hopes at the end of the month, announcing a US\$1 billion investment by the Quebec government for a 50% stake in the CSeries. Then Quebec's biggest pension fund invested US\$1.5 billion for 30% of BT.

On top of all this, Bombardier has warned that its turnaround plan will be a matter of years, not months, meaning that *even more* cash may be necessary. Reports indicate Bombardier has asked the federal government for this money.

All told, 2015 has been a terrible year, and it's tempting to say that things can't get any worse. But then again, this is Bombardier.

CATEGORY

1. Investing

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1. TSX:BBD.B (Bombardier)

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Date

2025/07/20

Date Created

2015/12/09

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