



## Is This the Start of Bombardier, Inc.'s Turnaround?

### Description

On Friday morning, **Bombardier, Inc.** ([TSX:BBD.B](#)) finally received regulatory certification for the first of its CSeries planes, the CS100. This marks the end of a long, painful chapter in Bombardier's history.

Bombardier expected the CS100 to be certified by the end of the year, but investors were at least somewhat pleasantly surprised; the company's stock is up by 17% on the news.

So that brings up the all-important question: Is this the start of Bombardier's turnaround?

### A major step

As we all know, Bombardier has been unable to secure a new firm CSeries order since September 2014. And part of the reason had to do with the repeated development delays; airlines simply don't like being uncertain about when their aircraft will arrive.

This was put very bluntly by Qatar Airways CEO Akbar Al Baker when he said back in March, "We have completely forgotten about it because you cannot wait indefinitely."

So by that logic, certification should lead to renewed interest from customers.

### Many headwinds

A couple of years ago, delays were the major concern for the CSeries. But today there are a host of other reasons why Bombardier hasn't been able to get orders.

To start, competition has greatly intensified. Both **Boeing Co.** and Airbus have put new fuel-efficient engines on their older models, making these planes more competitive with the CSeries. On top of that, both are offering heavy discounts on their products to airlines.

Adding to the pressure, fuel prices have slumped, which makes airlines much less willing to spend big bucks on a fuel-efficient plane like the CSeries. In fact, the falling price of fuel has even revived the used jet market, which further increases the competitive pressure on the CSeries. To put this in

perspective, Bombardier's last CSeries order was on the same day that WTI oil last traded above US\$95.

Adding to the company's problems is its financial situation. Even after receiving US\$2.5 billion in new investments (or you could call it bail-out money) from public sources, Bombardier still may not have enough capital to make it through the next two to three years. This could not only mean more financial pressure, but it could also deter airlines from ordering CSeries planes.

### **Is now the time to invest?**

Bombardier's shares certainly look cheap, and if the company is able to turn the ship around, then its shares will soar. But there are still far too many risks at this stage. Your best bet is to look elsewhere.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. TSX:BBD.B (Bombardier)

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1. Investing

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### **Author**

bensinclair

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