



## Bombardier, Inc.: Will the CSeries Really Become an Orphan?

### Description

While speaking at Airbus's annual conference, the company's chief commercial officer suggested that **Bombardier, Inc.'s** ([TSX:BBD.B](#)) CSeries could become an "orphan."

So what exactly did he mean by that, and does he have a strong case?

### What is an orphan plane?

Whenever an aircraft maker discontinues a certain program, the planes already sold under that program become "orphans." Airlines don't like to be stuck with orphans, mainly because they have little resale value. Pilot training can also become a concern.

### Could the CSeries become an orphan plane?

This isn't the first time that someone has suggested the CSeries could become an orphan. Back in February, former **Air Canada** CEO Pierre Jeannot suggested that the CSeries could become an orphan during an interview with *The National Post*. National Bank Financial analyst Cameron Doerksen suggested the same thing in an October interview with *Bloomberg News*.

And there is reason to believe the CSeries will be an orphan plane. Bombardier is in a difficult financial position and likely needs to raise more cash. Worse still, the CSeries jet probably won't be profitable until 2020. Bombardier has the necessary patience for now, but if there are any more missteps, then the company may have to give up.

There's yet another reason to be concerned. Larger rivals like Airbus and **Boeing Co.** have greater resources at their disposal, making it difficult for Bombardier to compete. Airbus and Boeing also have a wider product lineup, meaning they can use their smaller planes as loss leaders, further squeezing Bombardier.

Bombardier has considered making larger versions of the CSeries, since those types of investments often pay off. But given the company's limited financial resources, this now looks like a distant prospect. And that means it's even more likely the CSeries will be an orphan.

### **An impact on sales**

Without a doubt, Airbus and Boeing are exploiting this possibility during their sales pitches to airlines. It seems to be working; Bombardier hasn't secured a firm CSeries order since September 2014.

So how can Bombardier break out of this funk? Well, one option is to sell the CSeries program to a rival. The company held discussions with Airbus last year, but these talks have since broken off, and Quebec's involvement makes any transaction even more complicated. For example, the province would insist that CSeries production always stays local.

Thus, at this point, Bombardier is facing a long road ahead with the CSeries program, and this will probably mean more pain for shareholders. There are certainly better options for your portfolio.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. TSX:BBD.B (Bombardier)

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