



## Bombardier, Inc.: Will Iran Provide Some Much-Needed Liftoff?

### Description

As **Bombardier, Inc.** ([TSX:BBD.B](#)) continues to struggle, one new opportunity may have emerged for the company: Iran.

The country is still off-limits to Bombardier due to sanctions imposed by the Harper government. But as other countries lift their own Iranian sanctions, Prime Minister Justin Trudeau looks set to follow suit. This will allow companies such as Bombardier to go after the Iranian market.

So how promising is this opportunity?

### The opportunity

In the 1970s Iran had an aviation industry it could be truly proud of with a national airline sporting the latest aircraft from **Boeing Co.** But after the 1979 revolution, international sanctions and isolation have severely hampered Iranian aviation.

Fast forward to today, and Iran badly needs new aircraft. Its current fleet has an average age of more than 20 years. Some planes have even been in operation since before the revolution. Iran's minister of roads and urbanisation said last year the country needs to purchase 400 aircraft over the next 10 years. That number has now been raised to 581.

Furthermore, Iran badly wants Western aircraft. The country has mainly relied on Russian planes since the revolution, but the safety record of these planes has been extremely poor.

So this seems like a tremendous opportunity for Bombardier—not only for its beleaguered CSeries jets, but also for its regional aircraft.

### The challenges

Before we get too excited, there are two big obstacles standing in Bombardier's way.

The first is politics. Canada hasn't even had an embassy in Iran since 2012, another legacy of the

Harper government. In fact, Canada was one of the most hostile countries towards Iran before Mr. Trudeau took office (and was also one of the closest countries with Israel). So even though there has been a change of leadership, Iran and Canada are certainly not best friends, and that does not help Bombardier in the least.

Meanwhile, Iran hasn't lost total faith in Russia. Just last year the country completed a US\$21 billion order for aircraft and satellite equipment.

Secondly, Bombardier has its own issues to deal with. Questions about the company's future are hampering its sales efforts. Competition has intensified. And low oil prices have hurt the competitiveness of the CSeries.

When putting it all together, Bombardier's chances in Iran don't look good. Investors will have to wait a little longer before we see signs of a turnaround.

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. TSX:BBD.B (Bombardier)

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