



## Why Some Analysts Think Bombardier, Inc. Will Take Off

### Description

As **Bombardier, Inc.** ([TSX:BBD.B](#)) continues to trade for less than \$1, some equity analysts think the stock is seriously undervalued. In fact, two analysts have a price target of at least \$2.

Below are the two main reasons for their optimism.

#### 1. Another CSeries order

As we all know, Bombardier has failed to secure a firm CSeries order since September 2014. And the CSeries has yet to win an order from a large North American airline.

But some analysts think another order is on the way. One possibility is **Delta Air Lines Inc.**, which is strongly considering the CSeries. The company even put out a photo of the CEO Richard Anderson touring a CSeries jet. Another possible airline is **Air Canada**. For its part, Bombardier remains optimistic and tight-lipped, saying that the CSeries is “a top contender in several key campaigns.”

But there is a scary twist. One of the more bullish analysts—Benoit Poirier of Desjardins—thinks Bombardier will cancel the CSeries program if no more orders are received by the summer. And given the size of Bombardier’s debt load, it’s hard to see how the company will bounce back.

#### 2. More certainty about stability

Bombardier’s debt and its habit of burning cash have led to some doubts about the company’s long-term viability. And that is what is making it more difficult to sell aircraft. Airlines don’t like uncertainty, and they certainly don’t want to order a plane that may never arrive.

To deal with this problem, Bombardier has reportedly asked for US\$1 billion of financial assistance from the federal government, and the Liberals are taking a serious look at the idea.

If history is any guide, then the feds will provide Bombardier some sort of funding. Ideally, that will allay any worries about the company’s financial position, which could in turn lead to more orders.

### One other big factor to consider

At this point, Bombardier certainly wants to raise more capital, but the company's options are limited. Equity would be extremely expensive at this share price, and Bombardier already has more than enough debt. This is why the company needs the federal government to step up.

This gives the feds a lot of leverage, which could be very bad news for Bombardier. Perhaps the company will have to give up a big slice of the company for that US\$1 billion. On the other hand, the feds may demand that Bombardier break up its dual-class share structure, which would undoubtedly be a win for shareholders.

This could play out any number of ways. Until then, the stock is still far too risky for your portfolio.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. TSX:BBD.B (Bombardier)

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### Author

bensinclair

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