



2 Pieces of Good News for Bombardier, Inc. Shareholders

Description

As 2016 progresses, there hasn't been much good news for **Bombardier, Inc.** ([TSX:BBD.B](#)). C-Series orders remain hard to come by, concerns about the balance sheet are growing, and the stock continues to slide well below \$1.

That being the case, there are a couple of bright spots. We take a look at each below.

1. A reverse share split

When Bombardier's shares fell below \$1, it increased the possibility that the stock would get booted from the TSX index. This caused the stock price to fall even further.

But according to unnamed sources cited by *Reuters*, Bombardier will soon announce a reverse share split. And this will allow the company to stay in the TSX.

This isn't just a matter of Bombardier's short-term share price. The company is trying to raise more money from the federal government, and the lower its share price, the more equity Ottawa will demand in return. So this definitely matters, even in the long run.

2. Governance changes

Justin Trudeau is caught in a bind. On the one hand, political commentators (even those with left-leaning views) have been demanding that Bombardier not be bailed out. On the other hand, the company employs nearly 25,000 people in Canada. Either way, Mr. Trudeau's decision will anger a lot of people.

Back in mid-January, Duncan Melville argued in *The Globe and Mail* that Mr. Trudeau should force Bombardier to abandon its dual-class share structure in exchange for any cash infusion. Such a condition would certainly make Bombardier more democratic and could make the company better run.

And according to *The Globe*, federal officials are anonymously telling reporters that Mr. Trudeau will demand such governance changes in exchange for any cash infusion.

This would be great news for shareholders, but it will make things awkward for the federal government. Without the dual-class share structure, an activist hedge fund could accumulate a big equity stake and demand changes to the company. These changes could involve the sale of business units (such as Bombardier Transportation) or could involve the departure of jobs from Canada.

Perhaps as a part of any bailout package, the Canadian government could impose conditions on Bombardier that ensure production stays local. But such tactics would smell like government overreach.

As you can see, this is a very complicated decision.

Either way, it looks like Bombardier will go through some big changes. And given how the past few years have gone, any changes will likely be perceived as good news.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:BBD.B (Bombardier)

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