



WestJet Airlines Ltd. and Bombardier, Inc.: A Mutual Opportunity?

Description

Both **WestJet Airlines Ltd.** (TSX:WJA) and **Bombardier, Inc.** ([TSX:BBD.B](#)) have both had a fair share of disappointing news recently.

WestJet recently posted disappointing quarterly results which showed a significant decline in revenues and profit. That decline can be traced back to the weak economy in Alberta where a quarter of the airline's business stems from. The market has responded in kind, and the stock is now down 25% year-to-date.

WestJet reduces service and delays planes

In the face of declining demand in Alberta, WestJet made the decision earlier this year to reduce service between Calgary and Edmonton, routing that capacity to other routes that haven't been impacted as much as Alberta has, such as the eastern part of the country.

This is a strategy that makes sense as there is nothing worse for an airline than to be flying near-empty planes. Some additional flights from Calgary and Edmonton to other destinations across the country will also be cut or consolidated, so that the routes will still be served, just via connecting flights.

WestJet is also in the midst of discussions on deferring delivery of already ordered new planes and returning a number of leased aircraft. The company even sold off a number of smaller Boeing 737-700 aircraft to **Southwest Airlines Co.**, replacing them with the larger 737-800 variant.

Bombardier has planes to sell and needs customers

It seems like not a single day can pass without some form of disappointing news for Bombardier. The company's new CSeries plane, which, after multiple years of delays and cost overruns, is finally certified and available to be ordered, but a lack of interest from airlines has left the manufacturer scrambling for customers.

Bombardier does have 243 orders for the CSeries, but it hasn't secured a new order since September 2014. Bombardier has been forced to delay or cancel other projects to get the CSeries project finished.

The company has even received an investment from the Quebec government in the amount of \$1 billion, and there is talk about the Federal government getting involved to offer a lifeline to the struggling company.

A marriage of opportunity

Bombardier has small planes to sell and WestJet is flying larger planes that are empty. This could be an opportunity for both companies to work together. WestJet's CEO Gregg Saretsky recently commented on the CSeries, stating that "it's too small," and that the CSeries "wasn't designed for Canadian carriers."

Bombardier and WestJet do have some business relations already. WestJet has ordered a number of Bombardier's Q400 turboprop planes, which are smaller commuter planes that were slated to be used on WestJet's regional carrier, Encore. WestJet is trying to defer delivery of the Q400.

Both of these companies are in an interesting situation; one company needs to fill smaller planes, and the other one has planes to sell. A deal between these companies could be a significant revenue-building opportunity.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:BBD.B (Bombardier)

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