



Bombardier, Inc.: The Pressure Is Growing From All Sides

Description

On Wednesday Ontario premier Kathleen Wynne joined forces with Quebec premier Philippe Couillard in pressing the Federal Government to provide funding for **Bombardier, Inc.** ([TSX:BBD.B](#)).

“It’s an important national company, and if we look at the sectors that are our strengths in this country, and in Ontario, aerospace is one of those sectors, and Bombardier is a very, very important company in Ontario,” said Ms. Wynne.

That being the case, the idea of bailing out Bombardier remains unpopular on both sides of the political spectrum. And any aid money could provoke regional tensions with western Canada, especially if the oil-producing regions receive minimal support.

This puts Justin Trudeau in an impossible situation, one in which he will anger a lot of people no matter what decision he makes. So how should he approach this problem? And more importantly, what does this all mean for Bombardier’s shareholders?

Mr. Trudeau must ask for a very important concession

As it stands, Bombardier’s founding family still has majority control of the company, despite owning less than 20% of the equity. This is due to the company’s dual-class share structure, one in which the class A shares come with 10 votes each.

Predictably, Mr. Trudeau is being pressured to demand a breakup of this structure in exchange for any aid money. And rightfully so. If funding is provided without this concession, then it will smell like a bailout for the family, which of course would provoke widespread condemnation.

Mr. Trudeau can’t make Bombardier’s stock go up

Here’s where things get tricky. Because if Bombardier’s dual-class share structure does break down, then the company would be more vulnerable to a takeover. That alone could send its share price soaring. And let’s not forget that an improved liquidity profile could also send the shares higher.

This would be bad news for Mr. Trudeau. If Bombardier's share price increases as a result of any funding, then his actions will look even more like a bailout. So what Mr. Trudeau must do is ask for a very large amount of ownership in exchange for funding. That way shareholders would be punished and his actions would look less like a bailout.

What does this mean for shareholders?

Bombardier shareholders must be feeling very lonely. After all, the family wants to keep control. Quebec wants to prevent a foreign takeover and save jobs. The Canadian government wants the same thing. Taxpayers want their money to be spent wisely. To put it bluntly, no one really has the shareholders' best interests at heart.

So if you're thinking of being a Bombardier shareholder, just remember that no one will be looking out for you. And that's a very dangerous place to be.

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