



## 3 Ways Bombardier, Inc. Could Reach \$2 Per Share

### Description

There are a lot of factors working against **Bombardier, Inc.** ([TSX:BBD.B](#)) nowadays, but there are few ways that its fortunes could turn around dramatically. And with the company's stock price so low, there is a lot of upside for the shares, even with just the slightest bit of good news.

On that note, below are the top three ways that Bombardier's shares could reach \$2.

#### 1. A game-changing transaction

Last year, reports surfaced that a Chinese state-owned company offered US\$7-8 billion for Bombardier Transportation (BT), and Bombardier shares skyrocketed in response. Likewise, the company's stock price soared later in the year on rumours that the CSeries program would be sold off to Airbus.

In both cases, Bombardier decided to take public money instead. But that doesn't necessarily mean a big transaction won't take place. Bombardier could still sell the 70% of BT that it owns, which may be necessary if it doesn't get more government funding.

Yet shareholders shouldn't count on this catalyst. Chairman Pierre Beaudoin assured Quebec economy minister Jacques Daoust last year that BT wouldn't be sold, and with so much government involvement, a CSeries sale is out of the question. The odds of a big transaction are very remote.

#### 2. A favourable deal with the Canadian government

As we all know, Bombardier is seeking US\$1 billion in funding from the federal government. And this money could help in a couple of ways. First of all, it could provide some much-needed liquidity, which ideally will give the CSeries ample room to reach profitability. Secondly, government funding could mean the end of Bombardier's dual-class share structure.

This second point is worth emphasizing. Under the current structure, the Bombardier/Beaudoin family has voting control over the company, despite owning less than 20% of the equity. Many analysts cite this as a major reason for Bombardier's underperformance. The dual-class share structure has also probably prevented Bombardier from being broken up and sold—something acknowledged in a recent

interview by CEO Alain Bellemare.

So the hope is that with the current structure gone, Bombardier would perform better or be taken out. Again, we shouldn't count on anything here. With the government so heavily involved, superior performance is far from guaranteed, and a foreign takeover may be blocked as well.

### 3. Any positive news for the CSeries

When Bombardier announced that **Air Canada** had signed a letter of intent for up to 75 CS300 jets, its shares jumped by more than 20% that day. There was good reason to be excited. Assuming this gets converted into a firm order, it would mark the first CSeries purchase by a major North American airline.

That being the case, Air Canada received some significant incentives from the governments of Quebec and Canada to make this purchase. So the CSeries may not have that much momentum. But if Bombardier can win another order, then you should expect another surge in the share price.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. TSX:BBD.B (Bombardier)

### Category

1. Investing

### Date

2025/08/13

### Date Created

2016/03/15

### Author

bensinclair

default watermark

default watermark