



Bombardier, Inc.: 3 Possible Outcomes as Justin Trudeau Nears His Decision

Description

Justin Trudeau has been facing mounting pressure to provide funding for **Bombardier, Inc.** ([TSX:BBD.B](#)), and a decision will likely come within weeks when he announces his first budget. With that in mind, we'll look at three possible outcomes for the company below.

Scenario 1: no funding

This is the least likely scenario, simply because Mr. Trudeau has been facing so much pressure, and also because his cabinet ministers have been holding regular discussions with Bombardier.

That being the case, there is enormous political pressure on Mr. Trudeau to spurn Bombardier. Politicians in western Canada have claimed that any bailout for Bombardier should be accompanied by a bailout for the beleaguered energy sector. Of course, right-wing commentators have denounced any possible bailout, arguing that corporate welfare would not be a positive for Canada. And even left-wing critics have denounced the idea of a bailout.

If Mr. Trudeau decides to spurn Bombardier, then the company will likely receive more money from the Quebec government. And this money will likely come with fewer strings attached than federal money would. So in an ironic twist, this outcome could be a positive for the company.

Scenario 2: generous funding

When Quebec invested US\$1 billion in Bombardier, the province received a 49.5% stake in the CSeries program, along with some warrants on the company's common stock. Importantly, there weren't any significant strings attached to these funds. And the province wants the feds to make a similar investment.

If Mr. Trudeau agrees to this, then it will be a case of good news/bad news for shareholders. The good news is that Bombardier would likely have enough liquidity to fully develop the C-Series and bring the program to profitability. The bad news is that Bombardier's current structure, the one that has led the company into its current predicament, would remain in place. Furthermore, any possible takeover or major transaction would probably be off the table.

Scenario 3: funding, but with harsh conditions

If Mr. Trudeau wants to have it both ways, perhaps he could demand some major concessions from Bombardier in exchange for government aid.

This could mean one of two things. It could mean a massive equity stake in Bombardier itself, which, of course, would not be good for the company's stock price. Or perhaps it could mean a breakup in the dual-class share structure, which would probably be a big positive for the shares.

If Bombardier is indeed forced to give up its dual-class share structure, the company would be more vulnerable to a foreign takeover. So this would make a complicated situation even more complicated. And only time will tell how this turns out.

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