



Troubles Continue for Bombardier, Inc.

Description

Just when everyone thought that things were finally starting to look up for **Bombardier, Inc.** ([TSX:BBD.B](#)), something else comes to light and brings the company back down. Here's a look at the story so far.

The CSeries ... better late than never?

The embattled company has been the subject of much discussion in recent months as the CSeries program was hit with multi-year, multi-billion dollar delays, prompting the company to reach out to investors, the Quebec government, and the federal government for aid.

Last month things seemed to finally be getting better for the company with the announcement that **Air Canada** had signed a letter of intent for a large CSeries order. That letter of intent, if converted into firm orders, would push the number of CSeries orders up near the company's stated goal of 300. This had the immediately shot Bombardier's share price up, which had dropped below \$1 at the time and was in danger of being tossed out of the exchange.

The joy was short-lived, however, as the largest customer of the CSeries, **Republic Airways Holdings Inc.** filed bankruptcy, spelling a near certain end to their contract and making Air Canada the largest customer of the CSeries.

The good news is that the company's woes regarding the CSeries appear to be at an end for the moment. Launch Partner Swiss will be taking delivery of the first planes later this year, and trials over the larger CS300 model appear to be nearing their end, meaning that first delivery of the larger model will likely occur later this year.

The trains are running late, too

Bombardier's train segment made news this week with reported delays in the delivery of new trains for the TTC in Toronto.

A deal with the TTC to replace the existing aging streetcar fleet was supposed to see 80 of the new

streetcars on the street by this time, but Bombardier has delivered a mere 18. The TTC provided an update earlier this month, saying that Bombardier would be delivering four new cars each month starting in April, bringing a total of 54 deliveries by the end of the year.

This number still falls short of what was expected, meaning that the TTC is now forced to spend over \$30 million to refurbish the existing fleet of streetcars, which are already operating well past their expected life, to keep them running.

The TTC is exploring getting Bombardier to fork over the repair bill as per a “liquidated damages clause” in the streetcar contract. That bill might end up being paid by Ottawa if an aid deal is agreed to.

Federal aid: is it coming or not?

Bombardier asking the federal government to match or better what the Quebec government contributed. A bailout to Bombardier was not cited in the recent budget, but many believe that an agreement to inject \$1 billion into the company is being negotiated.

A likely scenario is that the CSeries program will be spun out in its entirety into a new and separate company. The ownership of that separate entity will be split between evenly between Bombardier and the two levels of government.

Cost cuts are another area of concern and, according to some reports, Bombardier is apparently contemplating a move of nearly 200 jobs for the Q400 turbo prop assembly from Toronto to Mexico or China. While outsourcing jobs might help Bombardier's balance sheet, it creates an awkwardness when the company speaks to federal government about financial assistance.

In my opinion, Bombardier remains an extremely risky stock, albeit a low-priced one. There are far better options on the market at present that provide significant growth for years and even pay out handsome dividends as well.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:BBD.B (Bombardier)

Category

1. Investing

Date

2025/10/01

Date Created

2016/03/26

Author

dafxentiou

default watermark