



Bombardier, Inc. Is Delay-Ridden. Avoid This Stock

Description

Many investors are able to turn small amounts of money into outsized gains because they can see when a company is being unfairly beaten down. So it's easy to look at **Bombardier, Inc.** ([TSX:BBD.B](#)) with its \$1.28-per-share price and get excited about the potential.

But I would severely caution you to not get excited about the potential because, at this point, there really is none. It sounds harsh, but let me explain...

Bombardier has had problems with its CSeries program. Primarily, it ran into delays getting the plane into service. On top of that, it repeatedly went over budget. All told, the company is more than two years behind schedule and had to spend an additional \$2 billion to get the product to where it is today.

Now, there are many investors who are trumpeting the fact that **Air Canada** announced that it has the intention to buy 45 CSeries jets when the plane was released. And this is certainly good news, but until the planes start to enter service for Air Canada, I have a hard time being optimistic.

On top of that, the primary selling point for the CSeries is not all that important anymore. When oil was over US\$100 per barrel, the CSeries was attractive because the plane was incredibly fuel efficient. However, with oil where it is today, that selling point is gone. Airlines are seeing increased margins because of low oil prices.

This doesn't mean the CSeries will never sell, but an intent to purchase is very different than an exchange of goods for money. Until Bombardier gets that, there really isn't very much good news. And besides, this order replaces the lost order from Republic Airways, which had agreed to buy 40 planes but has since had to file for bankruptcy.

To add insult to injury, its habit of having delays is starting to percolate in other divisions. With all of the CSeries problems, investors felt comfortable knowing that the railroad division was operating smoothly. Unfortunately, Bombardier is losing business there as well.

In Toronto, Bombardier was supposed to have delivered 80 new streetcars to the TTC. Presently, it has shipped under 20. On top of that, it expects to ship a grand total of 54 by the end of the year,

which is 26 short of where it should have already been today. To ensure its current fleet is operational, the TTC has had to pay \$30 million, which it may demand that Bombardier pay.

And that's not even the worst part ... In June 2011 Bombardier was awarded a contract to upgrade the automatic train control in the London Underground. It said it could be done by 2018 for US\$670 million, but as London's city council said, this contract has been "nothing short of a disaster."

London paid Bombardier \$155 million to break the contract, but in business the last thing you want is to show that you can't follow through. Reputation is key; the reputation that Bombardier is that it's late again and again.

I could be wrong, and Bombardier could have tremendous success with its CSeries, its deal with the TTC, and other operations. But with hard-core competition from China in the rail division and other large airplane manufacturers, the reality stands: avoid Bombardier and put your money into a company that can get the job done.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:BBD.B (Bombardier)

Category

1. Investing

Date

2025/08/25

Date Created

2016/04/11

Author

jaycodon

default watermark

default watermark