



## Bombardier, Inc. Gets Another Order

### Description

On Wednesday, **Chorus Aviation Inc.** (TSX:CHR.B) announced that it has signed a firm purchase agreement to acquire five CRJ900 regional jets from **Bombardier, Inc.** ([TSX:BBD.B](#)) with purchase rights for five additional aircraft. The 76-seat CRJ900 regional jets will enter service in 2017.

“The addition of these new CRJ900s reduces unit costs and complements our fleet of Canadian-built Bombardier turboprops and regional jets,” said Joseph Randell, CEO of Chorus Aviation.

### Is Bombardier turning things around?

Bombardier seems to be on fire lately. Aside from the Chorus purchase, the company also received an order for 45 CSeries jets from **Air Canada** and is expected to close a deal with **Delta Air Lines** this week for 125 CSeries jets (75 initial orders and an option for 50 more). Delta would be the first major U.S. airline to order Bombardier’s latest jet line. And earlier this week, Bombardier completed a \$184 million deal with Trident Jet Ltd. for four CRJ900 aircraft.

The company is also considering developing a +150-seat CSeries jet that would allow it to tap a significantly larger market where there seems to be an appetite for the company’s fuel-efficient engines. By building larger models that fit more naturally into airlines existing fleets, Bombardier could see demand surge. Last year, it actually lost a deal with **Delta Air Lines** because it didn’t have a larger version of the CSeries available. British Airways has also shown interest in a larger version of the plane.

On a smaller note, Bombardier’s Transportation division recently won a \$16 million contract with Jakarta airport. The company will help build the propulsion systems for the airport’s new trains systems.

### Too little too late

There is no doubt that these orders are good news for a struggling Bombardier, but things aren’t as rosy as they appear. Currently, the firm has \$8.5 billion in debt and only \$2.9 billion in cash. Even with optimistic assumptions, Bombardier management believes that it requires \$2 billion in additional

financing over the next five years to complete the CSeries project. With its current business racking up multi-billion dollar losses, it's unlikely that Bombardier can finish up its CSeries jet line on its own, let alone develop a new, larger jet.

To plug the financing hole and have any hope of bringing the existing CSeries line to market, Bombardier will likely require an additional bailout, possibly forcing it to relinquish its interest in the project entirely. After receiving a \$1 billion bailout from the Quebec government earlier last year, Ottawa and the federal government are readying another \$1 billion cash infusion.

**Bank of Nova Scotia** speculated this month that if a bailout is approved, the CSeries jet program will likely be spun out into a separate entity with the Canadian government owning a big majority.

Any good news with Bombardier's aviation division will only help in securing another bailout package. Once that's completed, it's likely that the remaining business will have very little to gain from the CSeries succeeding over the long term.

## CATEGORY

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1. Editor's Choice

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1. TSX:BBD.B (Bombardier)
2. TSX:CHR (Chorus Aviation Inc.)

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1. Editor's Choice

## Date

2025/08/25

## Date Created

2016/04/28

## Author

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