



Bombardier, Inc.: The House Is on Fire

Description

Since 2004, **Bombardier, Inc.** ([TSX:BBD.B](#)) has experienced numerous revivals with some rallies stretching for 100% gains or more. Without fail, however, the gains have proven ephemeral. Today, shares sit near historic lows despite yet another surge to \$2 a share.

While many investors believe the worst is already baked in, two new announcements this week spell more trouble for the issue-laden company.

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Market growth forecasts sink

Despite previously rosy long-term forecasts for the aviation industry, specifically jet plane deliveries, Bombardier now expects only 8,300 jets to be delivered over the next decade, an 8% decline from its last forecast of 9,000 deliveries. Its previous forecast included 210 Bombardier planes that were slated for delivery in 2015, a target the company failed to reach.

“In total, we are looking for Bombardier to deliver 150 units in 2016, which is down 25% from last year’s 199 units delivered,” says RBC Dominion Securities analyst Walter Spracklin. He also estimates that this year’s production of global business aircraft will be just 50 units, down from 73 in 2015.

The news comes as Bombardier struggles to compete in a consolidated market. Its CSeries jet project remains years behind schedule and billions over budget.

At last summer’s Paris Air Show, a major source of customer orders for most jet manufacturers, the company left without a single CSeries order. Horizon Airlines, the regional arm of Alaska Airlines, recently ordered 30 Embraer E175 aircraft, a direct competitor to Bombardier’s CSeries jet.

Earlier this year, **United Airlines** agreed to buy 40 small planes from **Boeing**, a \$3.2 billion deal that Bombardier had been vying for. Even some existing orders are in peril; Ilyushin Finance Co., a Russian company, is re-evaluating its order because it's now unable to secure financing due to economic sanctions.

Not just aviation

Bombardier is feeling pain in its other segments as well.

Last September, the company's stock jumped to its highest levels in over 25 years amid rumours that it was selling its rail business unit for \$8 billion. Surprisingly, Bombardier ended up rejecting the proposal by Beijing Infrastructure Investment, saying that the segment was not up for sale. This was a bold stance given the company's funding needs and a bid price that was higher than what most analysts expected.

Today, Bombardier may wish it had unloaded the segment when it could. This week, Waterloo confirmed that the start of its new train service will be delayed until early 2018 due to delays in car production at a Bombardier plant.

"The region is extremely disappointed with Bombardier and their inability to meet their own original and revised schedule and production timelines," said a memorandum to the committee. The document also said the region was reviewing its legal options "to recover any damages from Bombardier."

With mounting financial difficulties, extreme levels of competition, and the continued failures of core projects, Bombardier can't seem to catch a break.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:BBD.B (Bombardier)

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