



How Bombardier, Inc. Could Double in Price Thanks to the CSeries

Description

The first commercial delivery of the CSeries may be just over a month away, but **Bombardier, Inc.** ([TSX:BBD.B](#)) has already sent waves throughout the airline industry thanks to the new plane now known in circles as the “whisper jet.”

Why the CSeries matters to the airline industry

The advantages that the CSeries poses over the competition primarily lie in fuel efficiency, noise reduction, and catering to a whole new class of aircraft. The CSeries is Bombardier's first foray into a larger 100-160 seat aircraft. In fact, the CSeries is one of only a few aircraft designed for this seating configuration that has been released in several decades.

Both **Airbus** and **Boeing Co.'s** answers to the CSeries are revamped versions of larger aircraft, specifically the A320 NEO for Airbus and the 737 MAX for Boeing.

Airliners have started to realize the potential of the CSeries as both a short-haul commuter plane as well as for mid-range, mid-traffic routes. While there are a myriad of jets that can cater to the former, there really isn't anything on par with the CSeries for a mid-range, mid-traffic route.

The letter of intent from **Air Canada** was the first wake-up call to the industry that the plane was no longer just a pipe dream, and it arguably reinvigorated Bombardier on some level as well.

When **Air Baltic** announced the intention to move to Bombardier, the CSeries became real. It was a small order, but a firm one. By the time **Delta Air Lines Inc.** announced an order for 75 CSeries jets, the sentiment around Bombardier and the CSeries had changed considerably.

The Delta order represents a crack in the duopoly that exists for larger airline manufacturers, allowing Bombardier to get a foot in the door.

Why the CSeries matters to Bombardier

The CSeries represents more than just an aircraft to Bombardier. The CSeries project was a mammoth

undertaking that took thousands of people multiple years and billions of dollars to get to the point of securing certification and getting an order from an airliner.

Bombardier still needs to deliver on the orders already placed to get the CSeries in the hands of carriers around the world. The company also needs to focus on getting additional orders for the aircraft from other carriers that have been taking a more wait-and-see approach with Bombardier.

One such carrier is Ethiopian Airlines, which has shortlisted both the CSeries and Embraer's E-Jet Series as upgrades for that airline's fleet. A decision is expected by the end of the year; if favourable to Bombardier, a deal could result in an additional order of 30 CSeries jets.

The CSeries and discounts

Recent reports noted that Bombardier was able to get the Delta order by offering a steep discount, possibly up to 75% off the list price.

This is concerning, but not unheard of, and here is why. Two of the most widely anticipated jet launches in modern aviation history were for Boeing's 787 Dreamliner, and Airbus's A380 Superjumbo. The 787 launched nearly five years ago after multi-year delays and is still not profitable. Airbus, on the other hand, launched the A380 nearly eight years ago and only just started to break even on a per-plane basis.

Industry experts agree that new aircraft can sometimes be in production for five years or more before costs can come down to a point where the manufacturer can make a profit.

So the message for Bombardier and investors would be to have patience. While the company may remain a risky investment for the time being, the growing interest in the CSeries is both welcome and encouraging.

Once the first CSeries takes to the skies next month and deliveries commence, that risk will reduce and Bombardier will really start to grow.

CATEGORY

1. Investing

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1. TSX:BBD.B (Bombardier)

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