



Bombardier, Inc. Sales Are Heating Up

Description

After enduring years of financial losses alongside a perpetually sinking share price, are things finally turning around for **Bombardier, Inc.** ([TSX:BBD.B](#))?

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More orders on the way

Bombardier seems to be on fire lately.

In April **Chorus Aviation Inc.** announced that it signed a firm purchase agreement to acquire five CRJ900 regional jets from Bombardier with purchase rights for five additional aircraft. The 76-seat regional jets will enter service in 2017.

Bombardier also completed a \$184 million deal with Trident Jet Ltd. for four CRJ900 aircraft in April. Its biggest deals, however, came from major airline carriers. This year, it received an order for 45 CSeries jets from **Air Canada** in addition to a deal with **Delta Air Lines** for 125 CSeries jets (75 initial orders and an option for 50 more). Delta is the first major U.S. airline to order Bombardier's latest jet line.

This month, the orders continued to roll in. On June 1 **WestJet Airlines Ltd.** signed a firm order for nine Bombardier Q400 turboprops, expanding its fleet to 45 Q400 aircraft. Apart from aviation, the company also recently announced that it won a contract to supply 43 trains to European rail operator Abellio Rail Südwest for US\$244 million.

Bombardier is also exploring options to ramp up CSeries sales even faster. Recent reports show that it's interested in 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.

While the original CSeries plane has endured consistent difficulties, Bombardier president Fred Cromer is excited about the long-term potential. "I think more and more people are understanding what the plane can do and what the benefits are and are starting to talk about this plane being a part of the permanent landscape for the small narrow-body segment," he said this week.

Is a successful turnaround possible?

Lately, the market seems to have a much higher opinion of Bombardier. Since the year began, shares are up roughly 50%. Still, major hurdles remain.

Currently, the firm has roughly \$9 billion in debt and only \$3.2 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.

To plug the financing hole and have any hope of bringing the existing CSeries line to market, Bombardier will likely require an additional bailout. 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.

Things are looking up, but there's no doubt that Bombardier still needs to undergo another major restructuring if it hopes to survive.

CATEGORY

1. Investing

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1. TSX:BBD.B (Bombardier)

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