



## Is Bombardier, Inc. Finally Turning Things Around?

### Description

I've been very critical of **Bombardier, Inc.** ([TSX:BBD.B](#)) over the past year and have cautioned investors to avoid getting sucked up in the excitement of the stock being up 50% since January. But if people had to buy, I suggested they wait until Bombardier met some requirements.

Firstly, Bombardier had to demonstrate that its rail division was under control. It has had significant delays with a streetcar deal in Toronto. It has already blown past the deadline that it had agreed to and is still nowhere near completion. Further, London paid Bombardier to go away because the company was unable to upgrade the automatic train control in the Underground.

Yet it seems there are other companies that are willing to trust Bombardier's rail division.

The company recently signed a deal with Abellio Rail Südwest, which is based out of Germany, to sell it 43 TALENT 2 trains for US\$244 million. The company expects these trains to go into operation in June 2019 with all trains delivered by June 2020. I can't help but feel a little nervous that Bombardier will be late, but its rail division has always been quite efficient, barring the above examples.

Secondly, Bombardier actually needed to sell a plane. It's easy to receive letters of intent, and Bombardier has plenty of them, which is what sent the price up to begin with.

**Chorus Aviation Inc.** announced that it would purchase five CRJ900 regional jets and would take an option to buy an additional five. Bombardier also agreed to sell four CRJ900s to Trident Jet Ltd. for \$184 million. Then there are the big guys ... **Air Canada** put an order in for 45 CSeries jets, **Delta Air Lines** put an order in for 75 jets with an option for 50 more, and **WestJet Airlines Ltd.** put an order in for nine Q400 turboprops.

That's all fine and good, but Bombardier doesn't get any money until it delivers the planes. And with the company consistently experiencing delays, investors need to be cautious about investing in hope and not fundamentals.

Fortunately, Bombardier and **Swiss International Air Lines** had their first passenger flight with CEOs from top airline companies to test the plane out. And it went well. The expectation is that planes will be

delivered in the next few weeks, which means that Bombardier gets paid.

So, should you buy?

Look, Bombardier has risks. It has \$9 billion in debt while only carrying \$3.2 billion in cash. It still hasn't received any revenue from its planes. And there is serious concern that the company will need to raise money again before it reaches profitability, which could dilute shareholders.

However, if the CSeries can take flight and its rail division continues to bring in new deals, then yes, I believe Bombardier will become a buy. But I make that recommendation with a caveat: this is still a risky company and it is not in the clear yet. It could still fail; however, with multiple parts of the government investing, I don't expect that this company will be left to die.

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. TSX:BBD.B (Bombardier)

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