



Bombardier, Inc.: Is Another Big Rally About to Begin?

Description

Bombardier, Inc. ([TSX:BBD.B](#)) is holding up well even as Brexit-fuelled turbulence rocks global markets.

Let's take a look at the latest developments to see if this is a good time to finally buy the stock.

Quebec opens the wallet

Last fall the province of Quebec came to Bombardier's rescue with an offer to inject US\$1 billion for a 49.5% stake in the company's CSeries program. The support was widely viewed as a key component in the deal Bombardier recently secured with **Delta Air Lines** for 75 CSeries planes.

While there was no concern the province would back out of the deal, pundits were wondering why it was taking so long to sort out the details and actually hand over the cash.

On June 23 the deal was confirmed. Under the agreement the province will hand over US\$500 million on June 30 and an additional US\$500 million on September 1.

The funds are required to help Bombardier complete production of the first group of CSeries planes.

Air Canada gets its way

Air Canada launched the rally in Bombardier's stock in February when it announced a letter of intent to purchased 45 CSeries jets. The deal is important because Bombardier hadn't received a new order since September 2014.

Pundits expected the deal to be firmed up within weeks of the announcement, but the negotiations lingered and Air Canada threatened to walk away last week if the federal government doesn't give it more flexibility on where it can complete maintenance work on its planes.

Apparently the two sides have come to an agreement, and Air Canada announced on June 28 that it has firmed up the CSeries order.

The news removes one more overhang on the stock and allows Bombardier to move forward on other pressing issues.

CSeries delivery

Bombardier is expected to deliver its first CSeries aircraft to **Swiss International Air Lines** on June 28. The event is a key moment in the CSeries program, which is more than two years behind schedule and at least two billion dollars over budget.

Airlines normally pay for planes on delivery, so getting the first aircraft into the hands of customers is a priority as Bombardier continues to struggle with a mountain of debt.

Should you buy?

The good news is giving the stock a bit of a boost, but investors have to put the bigger picture in perspective before buying the shares.

Moody's Investors Service downgraded Bombardier's debt rating on June 23. The move from B2 to B3 means debt is considered "subject to high credit risk."

Analysts are concerned Bombardier had to drop the price below cost to secure the Delta deal, and that could push the CSeries profitability date beyond the current target of 2020 or 2021.

The company is also facing strong operational and competitive challenges in its train division, and those issues are currently being ignored by the market.

The positive developments in recent days are certainly good news for the company and its employees, and investors could start to push the stock back above the \$2 mark. However, this story still has a lot of moving parts, and Bombardier remains a risky bet. As such, investors should probably keep their exposure limited.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:BBD.B (Bombardier)

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