



Bombardier, Inc. Is Picking Up Momentum

Description

Things are looking up for **Bombardier, Inc.** ([TSX:BBD.B](#)). Not only did it finalize its [bailout package](#) with Quebec, but the company also recently received certification for its larger-model CSeries passenger jet with the first CS300 to be delivered by the end of this year. The smaller CS100 model had already received regulatory clearance.

These two events are noteworthy, representing a string of positive news for the company in recent months.

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. That month, Bombardier also completed a \$184 million deal with Trident Jet Ltd. for four CRJ900 aircraft.

Afterwards, Bombardier received a critical 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). The positive news continued last month as **WestJet Airlines Ltd.** signed a firm order for nine Bombardier Q400 turboprops.

Is Bombardier ready to turn a corner?

A major risk is paying off ... almost

When developing its CSeries jet line, most industry analysts knew Bombardier was taking a major risk. After running billions over budget and years overdue, the project proved that it was indeed too big to handle.

The problem was simple. When developing the CSeries jet, Bombardier focused on the 100-150 seat plane segment, believing it would meet new demand for fuel-efficient jets. Ample demand never materialized. Instead, airlines focused on +150 seat planes from **Boeing Co** and **Airbus SE** that fit more naturally into their fleets.

Bombardier considered developing a larger CSeries jet, complete with its exclusive Pratt & Whitney

engines (50% quieter and more fuel efficient than most jets), but it was too little too late.

Today Bombardier has little excess financing to develop any additional projects. Instead, it's been forced to double-down on its existing offerings.

Still, the latest string of sales proves that while the project has still been a failure overall, it may not sink the company entirely. "There was a lot of pressure from the industry looking at this program, because early in the program there was a milestone of 300 firm orders," Bombardier executive Fred Cromer said this month. "We have surpassed that number, so from that standpoint the pressure's off."

Bombardier remains in peril

Still, 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 survive, another round of government bailouts are surely in order. Reportedly, Ottawa and the federal government are readying another \$1 billion cash infusion, but that is far from guaranteed. *Bloomberg* recently reported that it doesn't expect to reach an aid deal with Bombardier before this fall. According to the report, "The government believes Bombardier has a year or more before it faces a serious cash crunch."

If you buy Bombardier stock today one thing is certain: the future of the company is incredibly uncertain. While things are improving, shares are still a lottery ticket on its continued survival.

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