



This Is Bombardier, Inc.'s Next Big Move

Description

Things are moving quickly for **Bombardier, Inc.** ([TSX:BBD.B](#)).

This week it received certification for its larger-model CSeries passenger jet following approval for its smaller CS100 plane. It also finalized its bailout package with Quebec after a [slew of new orders](#) for its struggling jet line. The most critical came from **Delta Air Lines** and **Air Canada**, both of which placed multi-billion-dollar orders.

While the original CSeries plane has endured consistent difficulties, Bombardier president Fred Cromer believes more orders are on the way. "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 last month.

Is a new multi-billion-dollar deal on the way?

Optimism is in the air

So far this year Bombardier has executed 127 orders for its CSeries jet, including 75 to Delta in April.

"What's next is to try and get additional deals and continue to build the order book, but we have to manage the ramp-up as well," Cromer recently said. Cromer added speculation that another major deal may be imminent: "We're gaining the attention of airlines in every region," he said at the Farnborough Air Show in the U.K. "A European carrier, a large European carrier, would be good."

One possible suitor is Latvia's Air Baltic Corp., which is considering replacing its existing fleet with new CSeries jets. The airline will become the first operator of the larger CS300 later this year, so expanding its fleet with complementary models would make sense.

Bombardier needs a deal fast

The latest string of successful sales have bought a bit of breathing room for Bombardier. "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,” Cromer said this month. “We have surpassed that number, so from that standpoint the pressure’s off.”

Still, the company has little excess financing to develop any additional projects, so it’s forced to double-down on its existing offerings, specifically the CSeries jet line. Even with optimistic assumptions, however, Bombardier management believes that it requires \$2 billion in additional financing over the next five years to complete the 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.

However Bombardier decides to plug its financing gap (through a bailout or shareholder dilution), the future company will have a drastically different ownership structure. While things are improving, shares are still a lottery ticket on its continued survival.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:BBD.B (Bombardier)

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