# Bombardier, Inc.: Collect a 9.2% Dividend

## Description

To say **Bombardier, Inc.** (TSX:BBD.B) hasn't performed well over the last five years would be a bit of an understatement.

The company's CSeries program–which ate up billions in cash–has been a disaster. Deliveries of the new jets to customers were delayed several times. An engine failure during a test flight caused further issues. And strong competition from more established regional jet players sure didn't help either.

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All of this culminated in 2015 when Bombardier didn't receive a single CSeries order.

But 2016 has been much better. Big orders came in from both **Air Canada** and **Delta Air Lines**, and there were smaller orders coming from other sources. The company's balance sheet has improved thanks to a US$2.5 billion cash injection from various parts of Quebec's government; an additional US$1 billion is expected from Canada's federal government, although that cash hasn't been made official yet.

In short, Bombardier is turning the corner. As it stands right now, it looks like the company will avoid bankruptcy.

If Bombardier does manage to slowly climb its way out of this hole and emerge as a profitable operation once again, income investors will be kicking themselves for not taking advantage of the massive yields offered by Bombardier's preferred shares today.

Here's how investors can lock themselves into +9% yields today.

**Enter the preferreds**

The Bombardier Series 4 preferred shares–which trade under the ticker symbol BBD.PR.C–currently give investors an eye-popping 9.2% yield.

In a world where GICs and other similarly safe fixed-income options pay less than 2% annually, that's a very attractive number.

There's a reason why these shares are yielding so much, of course. Even though Bombardier's fortunes have significantly changed for the better thus far in 2016, the company is hardly risk free. There's still plenty of danger from its balance sheet, namely the US$9 billion in debt that looms menacingly.

Bombardier has been bleeding cash for years now. The company lost US$138 million in the first quarter and spent more than US$300 million on capital expenditures. These are not things preferred share investors want to see.

There's more good news than bad, however. In that quarter the company was still gearing up for CSeries deliveries. Those finally started in the second quarter, meaning cash should finally start to flow back in instead of out.

There's also the political factor. Many people believe there's no way the company will ever go bankrupt. The government of Quebec seems willing to back it no matter what, and the federal government also has an appetite to help. This is good news for somebody investing in the company's debt or preferred shares.

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The obligations from the company's preferred shares aren't that much, either. Bombardier has three series of preferred shares outstanding. These represent an ongoing commitment of just $4 million per quarter–not much for a company with a market cap of almost $5 billion.

Bombardier would have to get in pretty dire straits for it to stop paying dividends on its preferred shares. It's not so much about the $16 million per year in commitments. Rather, it's the message that skipping on those preferred share dividends would send to the market. Companies will do almost anything before they skip payments to preferred shareholders.

Bombardier's preferred shares offer great dividends. Sure, they're riskier than other choices, but investors looking for yields of more than 9% have to be willing to take a few chances. I think this is a bet that will work out.

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1. Editor's Choice

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