



Bombardier, Inc.: Here Is Everything You Need to Know

Description

For over three months **Bombardier, Inc** ([TSX:BBD.B](#)) shares have been stuck at around \$2. Still, over the last few weeks, Bombardier has racked up an impressive string of fantastic news. **Textron Inc.** ([NYSE:TXT](#)) said it was interested in buying the company's struggling Learjet business, its rail business won a US\$1.3 billion contract, and its infamous CSeries jet project is seeing renewed optimism.

Here's what you should know.

CSeries is looking up, but hurdles remain

Since the year began Bombardier has repeatedly proven that its once ill-fated CSeries project—which came in years overdue and billions overbudget—can have success in an incredibly competitive aviation market.

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. A \$184 million deal was made with Trident Jet Ltd. for four CRJ900 aircraft. **Delta Air Lines** then bought 125 CSeries jets (75 initial orders and an option for 50 more).

In June **WestJet Airlines Ltd.** signed a firm order for nine Bombardier Q400 turboprops. This month **Air Canada** finalized a firm purchase agreement for 45 CS300 planes with an option for 30 more aircraft. At list prices, the firm order is valued at approximately \$3.8 billion but would increase to \$6.3 billion if the options are fully exercised.

While optimism is growing, Bombardier management still believes that \$2 billion in additional financing is required over the next five years to complete the CSeries project. Plagued with roughly \$9 billion in debt and only \$3.8 billion in cash, Bombardier could use some help affording its newfound success. That's where a potential Learjet sale comes into play.

Learjet deal could be a lifesaver

Despite its powerful brand name, Bombardier's Learjet division has struggled in recent years. Since the

year began, Bombardier has only shipped six orders, which is down from 14 in 2015. Due to funding constraints, it recently cancelled plans to develop a new Learjet 85. CEO Alain Bellemare has described the market that Learjet competes in as “oversupplied” and “remarkably competitive.”

Textron, which owns Cessna, could generate significant cost savings by combining the businesses. Learjet is clearly worth more to Textron than Bombardier. A sale could free up some extra cash for Bombardier and rid the company of another struggling segment.

Rail business secures a big win

Apart from its aviation businesses, Bombardier is looking healthier each day.

On August 10, the company won a US\$1.3 billion contract to supply 660 carriage trains to the U.K. Earlier this year it won a contract to supply 43 trains to European rail operator Abellio Rail Südwest for US\$244 million. Last year it received an offer for its rail business that valued it at \$6-8 billion. In recent months, Bombardier has proven why it was right to reject the deal.

All of these events are adding up to a much-improved Bombardier. The firm burned significantly less cash this quarter, using US\$490 million of free cash flow compared to US\$808 million a year ago. If recent events continue, count on a share price much higher than \$2 in years to come.

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2. TSX:BBD.B (Bombardier)

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