Could the CSeries Be Bombardier, Inc.'s Saving Grace?

Description

Fortunes have certainly changed over the past year for **Bombardier, Inc.** (TSX:BBD.B).

Less than a year ago, Bombardier's CSeries and even the company itself appeared destined for failure before launch. The CSeries was years late and billions over budget in a project that many industry pundits proclaimed was far outside Bombardier's league.

Those delays came to an end this past spring as the aircraft received the requisite certifications for flight and Bombardier received a string of promising, large orders for the aircraft–the first orders in over two years.

The CSeries launch is a success

Launch partner Swiss International Air Lines Ltd. took delivery and started flying the CSeries last month. The airline currently has two CS100 aircraft in operation, and nearly 30 additional aircraft are planned for delivery over the next few years.

Aircraft dependability is measured mostly on how frequently the aircraft can depart on time. The CSeries is still relatively new to Swiss Air Lines's fleet, but it's already outperforming many of the other aircraft offered by Bombardier's competitors.

New aircraft are often prone to departure delays as crews and airport staff get acquainted with the plane. While the CSeries has had some delays over the first few weeks, Swiss Air Lines's integration of the aircraft into their fleet has been smooth for the most part.

That level of satisfaction extends to the crew on the aircraft as well. Swiss Air Lines noted that pilots are impressed with the flying experience that the CSeries offers, and customers have already commented on the reduced noise and comfortable seats the CSeries offers.

Why does the CSeries get so much attention?

The CSeries continues to attract a lot of attention from both airliners and other manufacturers because

the CSeries is Bombardier's first foray into the 100-150 passenger aircraft market.

Another factor to consider is that larger aircraft are, for the most part, manufactured by the duopoly of Airbus Group SE and **The Boeing Co,** which both lack any aircraft designed specifically for the 100-150 passenger segment. The primary competitors for the CSeries consist of the Airbus A320neo and Boeing 737Max, both of which just come in on the upper side of the 150-passenger segment.

By comparison, the smaller, more efficient CSeries can fly to a wider variety of regional airports, use less fuel, and can attain a breakeven point with fewer passengers. For an airline just starting out, or an existing airline expanding into a commuter network, the CSeries is positioned perfectly in a vastly underserved market.

What does this mean for Bombardier?

News of the success of the CSeries couldn't come at a better time. While the CSeries may be ramping up, the small-business-jet market that Bombardier's Learjet division caters to is suffering from what Bombardier CEO Alain Bellemare referred to earlier this month as being "oversupplied."

The market for the Learjet and, by extension, the entire private-business-jet market has dropped significantly over the past few years. Demand for the seven-to-nine-passenger private-jet market was primarily focused in the booming economies of China, Russia, the Middle East, and Latin America. With those markets now cooling, demand for Bombardier's jets has dropped.

Industry pundits believe that Bombardier may consider reducing capacity or even selling the Learjet line completely, the funds of which could in turn be used to lower some of the company's staggering debt.

Regardless of the outcome of the company's Learjet program, Bombardier remains a particularly risky investment at this point in time. While Bombardier's position has improved considerably over the past few months, there are still far better, less risky opportunities for investors in the current market.

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dafxentiou

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