



Bombardier, Inc. Has Finally Turned Around

Description

I've been saying all along that for **Bombardier, Inc.** ([TSX:BBD.B](#)) to be considered turned around, it would need to achieve a few major steps: it had to actually start delivering its CSeries planes to clients (that means money in the bank), it had to get its rail division under control because it was starting to get a little chaotic, and it had to move towards repaying some of its debt. It seems all of these steps are finally in motion.

The CSeries launch went down just about perfectly. Swiss International Air Lines Ltd. got its first two CS100 aircraft about a month ago and has been flying them consistently ever since. And the airline loves them. According to Swiss International Air Lines, the CSeries has much higher reliability than its competitors. Reliability is a test of how often the plane can depart on time; on-time departures are key to maximizing profits.

Swiss International Airlines has ordered another 15 CS100s and 15 CS300s that will be delivered in the coming years. **Air Canada** has a purchase agreement for 45 CS300 planes with another potential 30. **Delta Air Lines** has an order for 75 and an option for 50 more.

As these planes continue to be delivered and money exchanges hands, I become that much more excited for the company. And now that the CSeries has launched, that pilots and crew love it, and that it's more reliable than competitors, I expect other airlines to buy.

On the topic of debt, the company doesn't actually have any strategy in place to pay things back. However, news last week suggested that **Textron Inc.** ([NYSE:TXT](#)) was considering making an offer for Bombardier's Learjet division. The company has owned this division since the early 90s, and, unfortunately, the market is oversupplied. Last year, Bombardier delivered 14 orders. This year, it's only delivered six.

If Textron buys out Learjet, which is just a financial drain on Bombardier, both companies will win. Textron will win because there will be significant cost savings by combining the businesses, and it can try to push the Cessna onto Bombardier's Learjet customers. Bombardier will win because it could take that money and pay down some of the debt that it's had to take on. If this deal happens, I will be even

more encouraged by Bombardier.

Finally, its railway division is turning around. It's had some problems. Between being tremendously delayed with its streetcar deal in Toronto and London having to pay Bombardier to go away because it couldn't upgrade the automatic train control in the Underground, I'm surprised anyone wants to work with Bombardier.

In the beginning of the month, Bombardier won a contract to supply 660 carriage trains to the U.K. for US\$1.3 billion. Abellio Rail Südwest awarded it a contract to supply 43 trains for US\$244 million. And the company received an order from German regional rail authority LNVG to provide vehicle service and fleet maintenance. So its rail division appears to have turned around and put the bad behind it.

Bombardier will always carry some inherent risk. It was poorly managed, and it was tremendously delayed in launching the CSeries. Yet the company has really turned things around. It's burning less cash, it's launching planes, and its rail division is working. Buying now might be a smart decision.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:TXT (Textron Inc.)
2. TSX:BBD.B (Bombardier)

Category

1. Investing

Tags

1. Editor's Choice

Date

2025/07/04

Date Created

2016/08/29

Author

jaycodon

default watermark