



Bombardier, Inc.: Good News and Bad News

Description

Bombardier, Inc. ([TSX:BBD.B](#)) shares have been extremely volatile over the past year, losing over 50% and then gaining it all back and more. The latest run has been fueled by a string of positive news in recent months.

For example, it finalized its bailout package with Quebec, received certification for its larger-model CSeries passenger jet (with the first CS300 to be delivered by the end of this year), signed firm purchase orders with over a dozen companies for CSeries jets, and its rail business won a US\$1.3 billion contract.

Things are looking up, but the stock has been stuck in the \$2 range since May. With major news seemingly coming every week for Bombardier, what are the latest stories that are impacting the share price?

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Here's the good news

Last week, the second and last \$500 million of Quebec's \$1 billion investment in its CSeries program was disbursed. While this was expected, it represents a huge lift for Bombardier's crumbling financials. Bombardier management still believes that \$2 billion in additional financing is required over the next five years to complete the CSeries project.

While the latest funding will push it closer to that goal, hurdles remain. Now, with \$9 billion in debt and only \$3.8 billion in cash, Bombardier will need more help affording its newfound success. Fortunately, the company is also in talks with the Federal and Albertan governments for another \$1 billion infusion. Company executives and government officials met in July at the Farnborough International Airshow to discuss the potential bailout package.

While talks have stalled due to the government seeking more concessions from Bombardier, an investment has risen in probability given the latest string of orders for the CSeries jet line. For example, last 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.

Increasing sales success will likely result in another government cash infusion—a much-needed break for Bombardier.

Here's the bad news

Despite the good news of late, Bombardier remains in difficult financial straits. Proof of that came on September 1 when the company disclosed that it will halt completion work on its Global 5000 and 6000 business jets during certain periods in 2017 amid ongoing softness in the market for corporate planes.

"It's a very common practice to adjust our strategy to ensure we manage our inventories and costs," said spokesman Mark Masluch. "We'll ... ensure we take steps to mitigate impact to our workforce." Still, things are getting so bad that the company's unionized workforce recently agreed to outsource some production to lower-cost countries.

If you're invested in Bombardier, there are plenty of reasons to believe the company has a bright future. Just don't forget that without another cash infusion (likely from the government), more bad news may still be on its way.

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