



Bombardier, Inc.: New Orders, New Launch, Still No Federal Aid

Description

Bombardier, Inc. ([TSX:BBD.B](#)) has finally cleared another hurdle in the long-standing CSeries project.

The CS300 jet earned certification by the European Aviation Safety Agency (EASA) last week, bringing the larger narrow-body airliner closer to beginning scheduled flights. The CS300 is the large variant in the CSeries project and is slated to begin scheduled flights with launch partner **Air Baltic** later this year.

Six pilots from that airlines have already completed their type-rating course on the new jet, and one of Bombardier's test flight vehicles is making route-proving flights across European and Middle Eastern routes that Air Baltic will fly the jet on.

New Philippine Airlines deal could fuel additional opportunities

Philippine Airlines announced this week a letter of intent to purchase up to 12 Q400 aircraft from Bombardier. The 86-seat, two-class configuration turbo-prop jet is ideal for the flag carrier of the Philippines, as it strives to further develop its domestic network.

The Asian-Pacific region as a whole is an important growth region for Bombardier. The company already has 190 aircraft in service or on order for the region with over 25 operators. Bombardier's smaller aircraft are ideally suited for the domestic short-haul networks that Philippine Airlines and others in the region are building.

Two key benefits of Bombardier's turboprop jet aircraft are that they are more fuel efficient than the larger jet liners they are replacing, and they are significantly faster than typical turboprops. The Q400 in particular has a cruising speed that is 160 km/h faster than comparable turboprops.

What about that federal aid?

While the new deal with Philippine Airlines and the upcoming CS300 delivery are significant developments that should fuel further orders for the company, let's not forget that nearly a year ago Bombardier asked for a \$1 billion injection.

That aid has yet to flow to Bombardier, as both the government and Bombardier have stood their ground on concessions over corporate governance. Those disagreements are more than likely over Bombardier's dual-class share structure, which keeps the founding families in control despite them only holding a minority stake.

From the government's perspective, Bombardier's success is also Canada's success. A healthy Bombardier would spur additional high-paying jobs and improve the aerospace industry as a whole.

Federal innovation minister Navdeep Bains made note of the issue to reporters recently: "It's not a matter of *if* we want to invest, it's *how* we make that investment." He then noted that the government would not get "a deal done for the sake of getting a deal done."

In my opinion, Bombardier is in a much better state than it was a year ago, but it still remains a very risky investment. If the delivery schedule of the CS300 can be met, sentiment around Bombardier will continue to improve, but the fact remains that at this moment in time, there are far better options in the market that will provide better returns and growth.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:BBD.B (Bombardier)

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