



## More Job Cuts and Delays for Bombardier, Inc.

### Description

Sometimes you really have to feel for **Bombardier, Inc.** ([TSX:BBD.B](#))

The company announced a series of job cuts and delays to the CSeries delivery schedule this week and, for once, isn't entirely to blame for that delay. The job cuts that Bombardier noted will amount to nearly 10% of the company's global workforce, or nearly 7,500 jobs over the next two years. This is the second time this year that the company has shed 10% of its workforce.

About two-thirds of those cuts are said to come from the transportation division with the remaining cuts coming from the aerospace division. The cuts are estimated to save Bombardier roughly \$300 million through the next two years.

### Federal aid: could it have helped keep the jobs that were lost?

Approximately 2,000 of the layoffs are from Canada and more than likely won't have any impact on the ongoing discussions with the federal government.

Bombardier and the federal government have had off and on discussions about possible federal aid to the beleaguered company for over a year now. A \$1 billion injection has been earmarked for Bombardier several times, but to date there has been no such commitment as both parties remain at odds over conditions attached to the funds.

The government wants to end Bombardier's dual-class share structure, which keeps the founding families in control of the company, despite only holding a minority stake of the shares.

While the government will no doubt want to preserve Canadian jobs, particularly the well-paying manufacturing jobs that Bombardier offers, at the end of the day Bombardier must invest in its business needs, which at this point is in the CSeries and the Global 7000 business jet. To that end, Bombardier will, as it has done in the past, hire additional workers in growth areas as needed.

The CSeries comes to mind in this regard; the jet has increased in popularity over the last few months as large orders and positive reviews from launch partners have resulted in airlines taking an additional

look at the jet.

Bombardier has already cut the delivery forecast for the CSeries for the remainder of the year, citing a delay with one of the engine suppliers. The company had originally planned to deliver 15 jets this year, but can now only commit to seven. Bombardier is not entirely to blame for that delay, but depending on how long the delay lasts, it could start to hurt Bombardier's bottom line.

### **What's next for Bombardier?**

Bombardier has to focus on three different items and execute all of them well.

First, the company needs to get delivery schedules that can be met. Bombardier is already in hot water with the City of Toronto and Metrolinx over delays related to new subways and LRT vehicles. A delay in the aerospace division moving into 2017 could see some airliners move to other manufacturers that can deliver on time.

The second point is that Bombardier needs to get a handle on finances. The company has a staggering debt of nearly \$9 billion, which is more than twice the market cap of the company. While the current round of job cuts will help the company slow the bleeding, it needs to ensure that the cuts aren't going to impact deliveries on existing orders, or significantly reduce the chance of future orders.

The final point is that Bombardier needs to either work out a deal with the federal government or find some other avenue for financing. Bombardier's next maturity is coming in 2018 in the form of \$1.4 billion in bonds. Bombardier is forecasting to break even on cash flow sometime in 2018, but additional delays could cause the company to burn through more cash.

In my opinion, Bombardier remains a very risky investment at the moment, and investors would be better suited by a number of other options in the market that provide better growth prospects.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. TSX:BBD.B (Bombardier)

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