



## Bombardier, Inc.: Is the New CSeries Order a Signal to Buy?

### Description

**Bombardier, Inc.** ([TSX:BBD.B](#)) just announced a new order for its CSeries jets, and investors are wondering if this is the sign they need to buy the stock.

Let's take a look at the current situation to see if Bombardier should be in your portfolio.

### CSeries orders

Bombardier has signed a deal with the government of Tanzania for two of its new CS300 jets. The African country is also purchasing a Q400. The planes, which have a sticker price of US\$203 million, will join the fleet operated by Air Tanzania, the country's national carrier.

Investors are cheering the deal as an indication that interest continues to build in the CSeries planes. Bombardier secured large orders from **Air Canada** and **Delta Air Lines** earlier this year, but it hadn't inked a new sale for seven months.

The Tanzania purchase boosts the CSeries order book to 360 firm commitments, of which, 235 are for the larger CS300 model. The remaining 125 are for the CS100.

Two CS100 planes went into commercial service with **Swiss International Air Lines** this summer, and Bombardier just delivered its first CS300 to **Air Baltic**. That plane is expected to begin carrying passengers in the middle of December.

Bombardier initially planned to deliver 15 CSeries jets in 2016, but it has reduced the guidance to seven planes as a result of difficulties at one of its suppliers.

### Profitability

Bombardier maintains it is on track for the CSeries program to be cash flow positive by 2020.

Investors have been concerned the company might not meet that goal given the significant discounts it appears the company provided to get the Air Canada and Delta orders.

Bombardier took a special US\$500 million charge in Q2 connected to the planes that were sold in the first half of the year.

If the Tanzania order was signed at a much better price point, investors could see further deals done with stronger margins, which would alleviate some of the profitability concerns.

The company doesn't reveal the sale price of its planes, so analysts will have to comb through the next report to see if there is any indication of another "onerous" charge.

### **Should you buy?**

The new deal should help put a floor under the stock in the near term.

Going forward, however, some challenges remain that could keep the share price from taking off.

The rail group is working through significant production issues, the debt remains too high, and while the CSeries program looks like it will survive, the road to profitability is still up in the air.

Things appear to be getting better, but I would still look for other investment opportunities today.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. TSX:BBD.B (Bombardier)

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1. Investing

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