



## Why Another CSeries Order Won't Save Bombardier, Inc.

### Description

**Bombardier, Inc.** ([TSX:BBD.B](#)) will be thankful once 2016 draws to a close.

The manufacturer of planes and trains has had an eventful year of ups and downs. After a significant drought of orders and long-standing delays for the CSeries jets, the aircraft finally received certification earlier this year, followed by a string of large, high-profile orders.

Fears of delivery delays for the new aircraft have continued since those orders, as Bombardier has reduced staffing levels and continues to look for cost savings.

Fortunately, interest in the CSeries continues. The first delivery of the larger CS300 just occurred recently, following delivery of the smaller CS100 variant a few months back.

### Another CSeries order and plane on the horizon?

Bombardier senior VP Colin Bole recently told reporters in London that Bombardier was confident about securing another large order for Bombardier's new CSeries jet from a major airline in 2017.

The CSeries project was a massive undertaking for Bombardier; it went two years over schedule and ran \$2 billion over budget. And once the jet was finally certified, orders for the revolutionary new plane were slim.

Two substantial orders from **Delta Air Lines Inc.** and **Air Canada** allowed Bombardier to save face and breathe a sigh of relief. The Delta deal called for 75 jets, whereas Air Canada's earlier order had 45. Both deals included options for additional jets that the airlines could exercise if need be.

To date, Bombardier has received firm orders for 125 of the smaller CS100 and 235 of the larger CS300 jets. No deal has been inked since the Delta deal several months ago.

That changed this week as Bombardier landed a deal with the Government of Tanzania reportedly worth US\$203 million. The order calls for two of the larger CS300 jets as well as one Q400.

## **The CSeries appeal is a weakness—at least for the moment**

One reason the CSeries failed to grasp initial attention among airlines is because it's designed with 110-130 seat capacities in mind—smaller than what Airbus SAS and **The Boeing Company** offer, yet larger than the smaller turbo prop and commuter jet offerings that airlines currently use. In short, the benefits of the CSeries may take some time to materialize, but they are there, particularly for larger airlines with sprawling networks that require 110-130 seat aircraft.

Beyond Bombardier's current CSeries offerings, the company has been coy about whether or not a big sibling for the CS100 and CS300 jets is in the works. The CS100 can sit up to 130 passengers, and the larger CS300 has 160 seats.

When asked about a larger CSeries plane during the CS300 delivery to Air Baltic last month, Bombardier CEO Alain Bellemare noted that it was premature to mention a larger variant; the company had only delivered four CS300s to date, and Bombardier was at least four years out from breaking even on the project.

Bellemare did note, however, that the company's request for US\$1 billion in federal funding last year could kick-start development efforts on Bombardier's next endeavours.

## **Is Bombardier a good investment?**

In my opinion, Bombardier is a risky investment, at least for the moment.

Bombardier is in a much better position than it was last year, and even better than just a few months ago. Completing the CSeries program took an immense amount of capital and time, and Bombardier will need several years to break even.

While running huge debt loads to launch a new jet is commonplace in the industry, Bombardier is in a different position than many other manufacturers and carries significantly more risk. Ongoing delivery delays and staffing cuts are also a concern, which could hamper future deliveries as well.

## **CATEGORY**

1. Investing

## **TICKERS GLOBAL**

1. TSX:BBD.B (Bombardier)

## **Category**

1. Investing

## **Date**

2025/07/29

## **Date Created**

2016/12/10

## **Author**

dafxentiou

default watermark