



Bombardier, Inc.: A Year in Review

Description

Bombardier, Inc. ([TSX:BBD.B](#)) is Canada's largest transportation equipment manufacturer. The company has been on an interesting roller coaster ride this year. The stock price is up over 50% since January and has nearly tripled from its 52-week low of \$0.72 in February.

I'll be taking a look at some of the key events in 2016 that led to the company's rebound.

Large Delta order in April

One of the things Bombardier needed at the beginning of the year was to calm investor sentiment surrounding its CSeries planes, especially considering the CS100 jet had, at the beginning of the year, been delayed nearly two years and was draining the company's coffers.

In April, Bombardier received a much-needed order when **Delta Air Lines, Inc.** announced a firm order of 75 of Bombardier's new CSeries CS100 planes. Delta noted in its announcement that partnering with Bombardier and choosing the state-of-the-art CS100 as its default plane moving forward would position the company well to achieve its strategy of revamping its narrow-body fleet and becoming more cost efficient in the long run.

The Delta order significantly bolstered investor confidence in the CS100 plane program, which was under fire at the time. The company currently has 360 CSeries firm aircraft orders in play.

CSeries jet (finally) hits the market in June

The CSeries 100 passenger jet, seating between 100 and 135 passengers, finally hit the market in June after a delay of more than two-and-a-half years. This delay cost the company more than \$5 billion in write-downs with its total budget amounting to \$2 billion.

Bombardier has been fulfilling deliveries to Swiss International Airlines (the first to accept final delivery on the CSeries), and has delivered four such planes thus far in 2016. The company has orders for Swiss International Airlines, AirBaltic, and Korean Air currently under production.

Large Air Canada order in June

Around the same time Bombardier was delivering its first CSeries planes to Swiss International Airlines, the company formalized its letter of intent with **Air Canada** into a firm order for 45 of Bombardier's CS300 planes. This contract contains an option for Air Canada to purchase another 30 CS300 airplanes with the total order value approximating \$6.3 billion at completion.

Eight-year contract signed with City of Montreal in November

Perhaps one of the biggest turnaround moments of 2016 occurred in November when the City of Montreal announced that it would be extending Bombardier's existing train-maintenance contract for the Agence Metropolitaine de Transport's fleet of 41 trains and 264 coaches. The new contract expanded Bombardier's scope of work to include operating these trains in addition to the maintenance revenues the company was previously receiving.

This expansion of an existing maintenance contract into additional services revenues was viewed by the market as a positive for the company in its attempt to become a profitable player in the long term. Margins for services contracts are typically substantially higher than for its manufacturing contracts.

Continued talks with the Canadian government for aid to end soon

Bombardier has been in talks with the Canadian government since early 2016 for government-aid financing due to the company's need for financial flexibility—flexibility which has been hampered by write-downs on its most recent CSeries jet.

In March, the government offered a package of \$3 billion to Bombardier (\$1 billion from the Federal government, \$1 billion from the Provincial government, and \$1 billion in equity issued by Bombardier to the governments) if the company agreed to eliminate its dual-class share structure. This halted talks, which have since resumed.

The most recent developments involved talks about a \$1 billion government aid package and holding the share structure constant.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:BBD.B (Bombardier)

PARTNER-FEEDS

1. Msn
2. Yahoo CA

Category

1. Investing

Tags

1. Editor's Choice

Date

2025/08/06

Date Created

2016/12/20

Author

chrismacdonald

default watermark

default watermark