



## Avoid the Bombardier, Inc. Soap Opera

### Description

It's so easy to get excited about a company like **Bombardier, Inc.** ([TSX:BBD.B](#)).

Unfortunately, Bombardier is a soap opera. One problem ends, and you think you're going to get a happy ending, only to be thrown right back into the mix with another drama. And, unlike other companies, where you can actually vote to make a difference, Bombardier's share structure makes it virtually impossible to force change.

This is because of the dual-class share structure in place. When we buy shares of Bombardier, we're buying BBD.B. Each share is a single vote. But then there's BBD.A, which the Beaudoin-Bombardier family owns. Each one of these shares accounts for 10 votes. The four family descendants own 79.47% of the Class A shares, plus 1.56% of the Class B shares. These four individuals, therefore, own 49.78% of the business. Other members of the immediate family own 3.45% of the company. As you can see, the family controls over 50%, making it impossible to make changes.

This dual-class structure has made the company ripe for frustration.

There are nonstop problems with the railroad vision. It is having problems with its \$770 million Metrolinx contract. It was supposed to deliver a test vehicle back in 2014, but it only delivered it over the past few months, and the vehicle doesn't actually work. To make matters worse, Metrolinx has contracted with Alstom, a French competitor of Bombardier, to make the vehicles.

Bombardier is having problems delivering streetcars to Toronto. Bombardier was supposed to have delivered 100 by March, but it doesn't expect to deliver the 70th streetcar by the end of 2017. Although there are talks that **Siemens AG (ADR)** and Bombardier might merge their rail divisions, it doesn't change the fact that this division is suffering.

To make matters worse, there have been rumours that the only way that Bombardier has been able to sell its CSeries planes is by creating massive discounts. Fellow Fool writer Kenneth Lee [suggested](#) that the planes were being sold for US\$19.6 million when the production cost was US\$33.2 million. If the only way that Bombardier can sell planes is when they're losing money every time, I find it difficult to see a path to true profitability.

And finally, while all of these problems are going on, management continues to get serious pay raises. I recognize that it's important to pay executives, because the only way to attract top talent is to pay for it. However, what baffles me is why shareholders (the family) believe that this pool of talent is the right pool when there are delays in every direction.

There are so many amazing companies to invest in here in Canada and even overseas. You can take an active or passive approach to investing. I don't understand why someone would want to subject themselves to the soap opera that is Bombardier. I recommend avoiding this company and putting your money into a company that has far greater prospects.

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. TSX:BBD.B (Bombardier)

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1. Investing

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