



Can Bombardier, Inc. Hit its Production Deadlines This Time?

Description

The Global 7000 luxury jet is one of the latest highly touted jet programs in **Bombardier, Inc.'s** ([TSX:BBD.B](#)) portfolio of airplanes. This program has sparked investor interest of late, given the fact that Bombardier received more than \$372 million from the federal Canadian government in aid earlier this year intended to get this program “off the ground” within the next 18 months.

Bombardier's own timeline for when the Global 7000 jet will be officially in service has already been moved back once. Initially unveiled to the market in 2010, the Global 7000 jet was expected to be in service by 2016 — something which has obviously not happened. Bombardier's management team at the time extended the production timeline two years to allow for what seemed like a very generous window, in part to refocus the business on its CSeries jet program — a program which has cost the company dearly in recent years.

Investors hoping that a repeat of the CSeries program will not be in the cards for the new Global 7000 jet are banking on innovations the company has made with respect to its testing procedures and factory efficiencies; these improvements have helped to increase optimism among Bombardier management, as concerns with a new wing design for the Global 7000 were driving investor concern that this plane program would have similar costly delays to the CSeries and previous programs.

The CSeries jet debacle is what most analysts and investors use as a point of reference in what has turned out to be a highly unprofitable and disappointing roll-out of the mid-sized jets. Delayed more than two-and-a-half years, costing an additional \$2 billion up front, and resulting in more than \$5 billion in write-downs, the CSeries program has largely been deemed a failure. Taxpayers and investors are hoping that the Global 7000 jet will be different, expecting that management will do what they say they are going to do and get the jet out the door and in the hands of consumers no later than the second-half of 2018.

Investors considering an investment in the largest Canadian transportation manufacturer are essentially placing their faith in the ability of management to execute its timelines — something Bombardier has failed miserably at over the years. The two-year production extension with the Global 7000 jet has already cost Bombardier a significant opportunity to take advantage of strong demand

(which has begun to cool) as well as sales orders as customers do not know when they will receive their planes.

Bottom line

Bombardier is likely to see significant pressure from both the federal and provincial governments in addition to shareholders over the coming quarters as the company's self-imposed deadline nears. I remain skeptical of the ability of Bombardier's management team to execute any timeline and therefore believe the hundreds of millions of dollars of government aid relating to this jet will be squandered in a similar fashion to previous government bailouts totaling significantly more than \$1 billion for other jet programs within Bombardier.

Stay Foolish, my friends.

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