



## 3 Reasons Bombardier, Inc. Ought to Be in Your No-Fly Zone

### Description

How many major contracts does **Bombardier, Inc.** ([TSX:BBD.B](#)) have to lose before investors get the picture that this company is incredibly dysfunctional, unable to do what's required to restore a reputation that's in tatters?

Many, it seems.

I recently [discussed](#) how the easy money for Bombardier investors has already been made. Getting to \$5 was going to be much tougher.

Personally, I wouldn't touch its stock with a 10-foot pole, but if you're still holding on to Bombardier stock or thinking of buying based on its latest earnings, here are five reasons it should be in your no-fly zone.

### New York state of mind

Bombardier learned recently that it was out of the running for a US\$3.2 subway contract because it couldn't be trusted to deliver on time. While it's not the first time Bombardier's been shown the door because of poor productivity and quality control practices, it is one of the more high-profile defeats.

To the company's credit, it didn't respond with false bravado, but rather with a sense of urgency that it might not get many more chances to be a world leader in rail transportation.

"Our actions have exacerbated an already difficult mobility environment in New York City and our client's decision demonstrates that the market is no longer willing to accept delays in performance and suffer the impact of our shortcomings," wrote Benoit Brossoit, the president of Bombardier Transportation's Americas division. "This is a serious warning shot and we must respond to it in accordance with our promises of delivery, time, and without excuses."

On this one point alone, I'd avoid Bombardier, but the next two should also make you do some soul searching.

## Integrity is lacking

A *Fast Company* magazine article from 2013 suggests integrity is one of the five cornerstones of a beautiful business.

“Beautiful businesses have a clear sense of purpose. A noble, unwavering belief that translates into firm principles for how to succeed. This is where a company’s soul resides,” wrote author Jean-Baptiste Danet in 2013. “This is what makes a business authentic, and being open and honest should be a precondition for business.”

The fact that one of its employees, Evgeny Pavlov, is facing an aggravated bribery charge from Sweden’s National Anti-Corruption Unit over a \$340 million contract in Azerbaijan, is bad enough.

However, if it turns out that Bombardier is knee deep in this situation, it will lose all rights to bid on future World Bank contracts in the emerging markets — a big blow to a company struggling to make money.

The company, of course, denies any wrongdoing, but I always say where there’s smoke, there’s fire. A second quote that comes to mind when talking about Bombardier’s integrity is “the fish stinks from the head down,” which means the company operates the way it does because of management.

Again, it might be nothing, but with thousands of stocks to choose from, Bombardier should be lower down your watch list.

## CSeries progress, or lack thereof

Back in February 2015, at the time of Bombardier CEO Alain Bellemare’s hiring, the *Financial Post* had five things it felt Bellemare needed to fix.

The lack of orders for the CSeries was one of them. At the time, Bombardier had a goal of 300 planes, but was about 60 shy of its goal.

In the first six months of 2017, it delivered seven CSeries aircraft; one in Q1 2017 and six in Q2 2017. To date, it has delivered 16 CSeries planes; it has a backlog of 122 firm orders with another 224 that can be converted to regional jets. In the first six months of the year, it’s had no new CSeries orders.

While early reports suggesting the CSeries planes delivered to **Air Baltic** and **Delta Air Lines, Inc.** have produced better-than-expected fuel economy, it won’t mean a darn thing if the company can’t be trusted to deliver either the trains or planes.

## Bottom line

There’s no doubt the CS100 and CS300 are good-looking planes, inside and out, and incredibly efficient thanks to the two Pratt & Whitney PW1500G geared turbofan engines.

However, if Bombardier is not in your no-fly zone, it should be.

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