



Should You Sell Bombardier, Inc. as it Battles Boeing Co.?

Description

On September 5, it was reported that American multinational **Boeing Co.** (NYSE:NA) intends to wave off criticism from the Canadian government over its legal dispute with **Bombardier, Inc.** ([TSX:BBD.B](#)). Early this year, Boeing accused Bombardier of selling its CSeries passenger jets to U.S.-based **Delta Air Lines, Inc.** at low prices it deemed unfair due to grants and loans provided by the Federal government and province of Quebec.

In May, Foreign Affairs Minister Chrystia Freeland stated that the Canadian government would defend the interests of Bombardier and threatened to end its multi-billion-dollar purchase of 18 Boeing Super Hornet jets. The spat comes at an interesting time during NAFTA renegotiations. Although populist revolts in Europe and the election of Trump had international leaders bemoan the spectre of protectionism, it appears that private and government entities are increasingly willing to present a united front.

The office of Prime Minister Justin Trudeau issued a statement on September 5 and criticized what it called the “unfair and aggressive” trade challenge brought about by Boeing. Trudeau also used a strategy that Canada has committed to during its NAFTA negotiations: appealing to U.S. state leadership. In this case, he pointed to the number of jobs in Missouri that depend on the manufacturing of the Boeing Super Hornet.

Marc Allen, the president of Boeing’s international division, made comparisons to European multinational Airbus and its meteoric rise to become Boeing’s biggest competitor. This is obviously a situation Boeing aims to avoid in the future, and Bombardier has entered the cross-hairs as a potential rival. Allen also pointed out that Boeing does \$4 billion worth of business annually with Canada.

Shares of Bombardier ended the trading day September 5 down 4.05%. The company had teased 52-week highs in mid-August as the stock breached the \$2.60 mark, but it has since declined 11%.

On August 30, it was revealed that the company would lose out on a New York City subway contract due to delays. Issues with delays have dogged Bombardier for some time now and have also sparked a controversy with Toronto transit. This ends a 35-year relationship between Bombardier and the city

which saw the delivery of over 2,000 subway cars over this period.

Bombardier received a boost after it announced second-quarter earnings on July 28. President and CEO Alain Bellemare was enthusiastic about progress made into the five-year turnaround plan. EBIT before special items increased 55% to \$164 million and saw 8.2% growth in Transportation, 8.9% growth at Business Aircraft, and 7.7% growth at Aerostructures. The company expects the Global 7000, its ultra-long-range business jet, to enter service in the second half of 2018.

Bombardier has rewarded those willing to buy its volatile periods this year; it's bounced back several times after threatening the \$2.00 mark in March and May. I would stay away from the stock until clarity is provided on September 25. That is when the U.S. Commerce Department is scheduled to reveal its preliminary findings in the Bombardier-Boeing dispute.

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