



## Bombardier, Inc.: Do Rumours of Asset Sales Make it a Buy?

### Description

On Sunday evening, *Bloomberg* reported that **Bombardier, Inc.** ([TSX:BBD.B](#)) was “seeking investors for its aerospace businesses and considering a sale of some operations ... as a turnaround plan as the Canadian plane maker faces pressure from potentially crippling U.S. tariffs on its marquee jetliner.”

The jetliner in question is the CSeries. The U.S. Commerce Department recommended a 219.63% penalty because it found that national and provincial governments gave unfair subsidies to Bombardier, allowing the company to sell its planes to **Delta Air Lines** for “absurdly low prices.” On top of that, the Commerce Department is recommending a 79.82% tariff on every plane imported. Combined, Bombardier is looking at a 300% tariff for its planes.

Although these tariffs are not legal yet, and this is turning into a classic trade war, Bombardier is obviously nervous since it's talking about selling assets. Unfortunately, this looks like a weakness for Bombardier.

But what assets are for sale? *Bloomberg* reports that Bombardier is considering selling “its Q400 turboprop and CRJ regional-jet unit.” **Airbus SE** is believed to be one of the suitors, though it is reported that Bombardier is open to a partnership with another aerospace company versus an outright sale.

One analyst told *Bloomberg* that Bombardier had neglected these products, but that the Q400 will likely have an easier time selling. No actual prices were revealed in the report, so we don't know just how much money Bombardier would ultimately earn by selling these assets.

So, here's where we are ... Bombardier customers may wind up having to pay massive tariffs if they buy the CSeries. Because of this, Bombardier is looking to sell its Q400 and CRJ regional jet unit to raise cash.

This is just another reminder of how frustrating being an investor in Bombardier really is. The CSeries was delayed by two years and went US\$2 billion over budget. But once the company started selling planes, investors perked up, only to be hit again with this news.

Then there's the rail division. Bombardier has been experiencing problems fulfilling contracts. It was supposed to deliver 70 streetcars to the Toronto Transit Commission by the end of 2017, but is going to be late. Further, the \$1.2 billion order stipulated that 204 would be delivered by the end of 2018 — Bombardier says it needs until the end of 2019.

But there was hope here too. *Bloomberg* had reported back in July that there might be talks of two rail division joint ventures between Bombardier and **Siemens AG**. Bombardier would have majority control of joint-venture one, focused on the rolling stock operations. Siemens would have majority control of the signal business.

Unfortunately, in the recent *Bloomberg* report, the author wrote, "Bombardier also missed out on a merger of its rail-equipment business with Siemens AG's operation after months of talks." Although those rumours were never confirmed, it's just another example of a possible deal falling through that would have helped Bombardier.

I remain on the sidelines when it comes to Bombardier. These rumours could just as easily be coming from someone within Bombardier. And until Bombardier actually begins to turn around, I'll be avoiding this stock.

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. TSX:BBD.B (Bombardier)

## PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

## Category

1. Investing

## Date

2025/07/02

## Date Created

2017/10/16

## Author

jaycodon

default watermark