



Will Bombardier, Inc. Soar Following AirBus's Plan to Buy Majority Stake in the CSeries Program?

Description

It seemed like the series of unfortunate events for **Bombardier, Inc.** ([TSX:BBD.B](#)) would never end with the recent duty on CSeries jets exported to the U.S. appearing to be the final dagger to the heart of the ailing business. The company has a damaged reputation, and it's going to be a tough task to win back the respect of the general public if it has hopes of turning around.

More recently, AirBus SE announce its intention to purchase a majority stake (50.01%) in Bombardier's CSeries program, which is a huge vote of confidence from the massive European plane maker.

It's not a mystery that the CSeries project was running into cost overruns. Although AirBus won't be giving Bombardier cash for its newly acquired stake, the partnership is expected to produce significant savings thanks to the expertise that Airbus has to offer.

What does AirBus have to bring to the table?

"Their global scale, strong customer relationships and operational expertise are key ingredients for unleashing the full value of the CSeries ... This partnership should more than double the value of the CSeries program and ensures our remarkable game-changing aircraft realizes its full potential," said Alain Bellemare, Bombardier CEO.

Bombardier's CSeries program ran into a brick wall, but the recent partnership with AirBus will serve as a much-needed guide if shares of BBD.B are to finally turn around.

AirBus has a powerful global salesforce, which is exactly what the CSeries needs, especially considering that Bombardier was pretty much backed into a corner following the recent U.S. duty in response to complaints from rival **Boeing Co.**

Bombardier had spent over \$6 billion on the development of the CSeries aircraft, but still, many pundits were ready to throw in the towel on Bombardier as a whole, because the management team showed no signs that it could stop the cash bleed or get things moving the right direction.

The AirBus partnership will definitely give investors' confidence a huge boost. One of the biggest risks of owning shares of Bombardier was the limited options that the company had thanks to its damaged reputation, which wasn't making it attractive to potential clients.

Bottom line

The deal with AirBus is a great move for both sides (and a huge gut punch to Boeing). I believe investor confidence will surge and shares of BBD.B could be headed back into the green over the coming months. Some of the more bullish analysts out there, like Benoit Poirier of Desjardins Securities, think that Bombardier could more than double to \$5 by 2020.

The potential rewards are high, but so are the risks. Personally, I'd steer clear of Bombardier over the long term, because I'm not a huge fan of the management team, and I expect more cost overruns and deadline misses in future projects.

If you're a medium-term investor who's willing to take a gamble, then it might be time to buy before the stock takes off following what appears to be a really positive development.

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