



## A Fun Month Makes Bombardier, Inc. Interesting

### Description

It has been a pretty exciting month for **Bombardier, Inc.** ([TSX:BBD.B](#)). [I last reported](#) that Bombardier was rumoured to be selling a piece of its aerospace business with Airbus SE as one of the possible buyers. Hours after my article was published, those rumours were confirmed, but not in a way many were expecting.

The deal effectively resulted in Airbus buying 50.1% of the CSeries project. Many analysts had expected that the Q400 turboprop and CRJ regional jet unit might be sold. Instead, it was one of the most important products for Bombardier's future — the same product that the company went over budget and over time to complete.

Why was Bombardier willing to sell to its competitor?

The U.S. Department of Commerce effectively levied nearly 300% in duties for every CSeries the company sold in reaction to a complaint made by **Boeing Co.** ([NYSE:BA](#)). Because of this, there was no way for Bombardier to ever make money selling the plane to airlines south of the border.

But by selling to Airbus, the European company will manufacture the CSeries at its facility located in Alabama. This gets around any import fees, thus making it possible for Bombardier and Airbus to generate money on each plane sold. In part, I believe this was Airbus taunting Boeing.

Nevertheless, this appears to be a vote of confidence for Bombardier, because it has signed [two deals](#) since announcing the partnership.

An unnamed European carrier agreed to buy 31 CSeries jets with the option to buy an additional 30. This deal is reportedly worth up to \$2.4 billion, so it's a massive shot in the arm for a company desperate to make noise.

But it didn't stop there. At the Dubai Airshow, EgyptAir offered a letter of intent to buy 12 of the CS300 aircraft with an option to add another 12 aircraft; this deal is good for US\$1.1 billion. While it's not a firm commitment, it's a great sign.

So, since we last looked at Bombardier, things have been very exciting for investors. Shares are up 13%, and year to date, shares are up 43%. With this improvement, investors are asking whether this is a good time to start buying or if Bombardier is still risky.

Here's how I look at it:

On one hand, Bombardier gave up over 50% of its potential upside with the CSeries. It did that because of fear that the Department of Commerce was going to punish it — though this wasn't a guarantee.

But on the other hand, Bombardier now has an amazing partner in Airbus to help it reach peak efficiency. And with Airbus now incentivized to sell the CSeries to potential customers, both companies are in a position to generate great returns.

Would I buy Bombardier today? I would consider a small position. However, there is still a lot more that needs to be done before I think Bombardier is a core position. For now, Bombardier is strictly speculative.

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