

Bombardier, Inc. Gets Two Pieces of Bad News

Description

Bombardier, Inc. ([TSX:BBD.B](#)), the iconic Canadian company, seems to be known as much for bad news and deals as good. While the stock's fortunes fluctuated during the summer and fall over its [C-Series](#) jets, Bombardier got some bad news this week.

Metrolinx deal cut in half

First off, Metrolinx, a regional transit agency, announced that it was cutting its deal with Bombardier. Under the deal, Bombardier was to provide Metrolinx with vehicles for the Toronto area. The order was worth \$770 million before Metrolinx decided to slash the deal in half. Bombardier will now provide 76 light rail vehicles (mostly for the Eglinton Crosstown LRT) instead of 182. The new deal is worth \$392 million. At the heart of this change is Metrolinx' worry that Bombardier will be unable to produce on time, a charge that has been levelled against the company before.

One change that may benefit Bombardier is the 18-month extension of their contract to operate GO service, the commuter trains that service the GTA.

Export Development Canada cancels loan

The other piece of news this week involves Bombardier aircraft. Export Development Canada (EDC), the export agency of the federal government, has cancelled a loan worth \$41 million that was to help Bombardier sell a luxury Global 6000 jet to South African businessmen. The reasoning behind the cancellation seems to be at least partially political. The South African businessmen in question have been linked to their countries' biggest corruption scandal, and have also failed to meet their payment obligations for the loan, making it an easy decision for EDC.

Investor takeaway

Do these latest troubles make Bombardier a bad investment? Not necessarily. Things have been going [much better](#) with the C-Series as of late. And Bombardier is one of those companies that the Canadian government seems to love bailing out. If you are considering buying Bombardier, keep a close eye on its C-Series deals and news stories.

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