



## Is Bombardier, Inc. the TSX's Next Great Sin Stock?

### Description

**Bombardier, Inc.** ([TSX:BBD.B](#)) last traded above \$3 on a consistent basis in 2014. Thanks to its 40% return in 2017, Bombardier stock is once more testing \$3.

I have never been a fan of Bombardier, [calling](#) the company out on several occasions, including most recently this past September. I just don't see it being a \$5 stock, let alone one that trades in double digits.

For every positive step forward it takes — such as the Airbus [deal](#) on the CSeries — Bombardier takes two backward — the Metrolinx deal was [cut](#) in half, and it lost the sale of a Global 6000 private jet — due to an inability to deliver on time and a penchant for surrounding itself with less than honourable individuals.

There is something like 221 stocks listed on the TSX with a market cap of \$1 billion or more, and yet investors are fascinated by Bombardier, what I consider to be Canada's next great sin stock.

### Allegations aplenty

I am absolutely 100% against owning this stock for a plethora of reasons, not the least of which are the allegations facing the company highlighted in a detailed December 30 investigative report from the *Globe and Mail*.

“What is a ‘success fee?’ It’s a bribe. It’s money that gets paid to an agent — but do you get paid US\$8 million to US\$15 million just because Bombardier wins a contract? No, that money gets passed around,” a former employee who worked on preparing bids in the early 2000s anonymously told the *Globe and Mail*. “It’s absolutely a pyramid. The agent’s job is to spread that money around and make sure everything goes the way it’s supposed to go.”

Bombardier argues that these success fees are a part of doing in business in foreign countries and are perfectly legal. Furthermore, they are an accepted practice by many industries, not just aerospace and transportation. In other words, everybody does it.

That well may be, but that doesn't make it right. For this reason, I liken Bombardier to the tobacco companies who continue to pay big litigation awards for knowingly spreading cancer.

"What saddens me is that, when you go to global conferences, they talk to you about 'African corruption,' " Thuli Madonsela, formerly in charge of fighting corruption in South Africa, told the *Globe and Mail* in the same December 30 report. "But in all of these cases, there is usually a big foreign company – so how can you talk about African corruption when the corrupter is foreign?"

Bombardier's executives are paid a lot of money — Bombardier CEO Alain Bellemare was the 16th-highest paid Canadian chief executive in 2016 at \$12.6 million — to know what's going on in their business. By Bellemare allowing Olivier Marcil, the company's VP of External Relations to go on record about these payments suggests one of two things.

Either Bellemare and company believe these payments to be legal, or their compensation is so lucrative they just don't care how it looks morally or ethically.

### **Bombardier is the next great sin stock**

All Bombardier needs to do is start generating free cash flow like the cigarette companies, and it will become the next great sin stock with healthy dividends and apathetic investors who turn a blind eye to the built-in corruption that goes with selling airplanes and trains.

Funny; how come no one ever levels these kinds of charges against companies like **New Flyer Industries Inc.** ([TSX:NFI](#))?

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