



## Is Bombardier, Inc. Finally a Buy as CSeries Headwinds Abate?

### Description

Canada's largest airplane and train maker **Bombardier, Inc.** ([TSX:BBD.B](#)) has been handed a lifeline by the U.S., as the U.S. International Trade Commission ruled that the duties, which were originally put in place following a trade dispute between Bombardier and its U.S. rival **Boeing Co.**, will be expunged. The commission ruled that Boeing would not be sufficiently harmed by Bombardier's CSeries plane program, as Boeing and Bombardier do not actively compete in this market.

The steep discount at which Bombardier sold 75 jets to **Delta Air Lines, Inc.** has been acknowledged as an industry standard practice, and as such, this ruling makes sense on a fundamental level. While Bombardier maintained that it believed the potential duties, which could have been as high as 300%, would be overturned, investors remained skeptical. This ruling certainly changes the game for investors forecasting Bombardier's long-term performance, and with a partnership with Airbus SA widely considered to be a positive catalyst for the Canadian transportation manufacturer, investors have continued to pile in to Bombardier shares in a big way.

That being said, other Fool contributors, such as David Jagielski, believe Bombardier [may not be out of the woods quite yet](#), citing a number of very troublesome headwinds on the horizon for Bombardier. The company's train manufacturing segment has seen significant delays and headwinds with contract renewals domestically; NAFTA concerns remain a real headwind for any major Canadian exporter; and Bombardier has held on to the vast majority of operational risk related to the CSeries, while retaining only 49.9% of the future profitability of the program. These are three of the reasons Mr. Jagielski and others, including me, remain skeptical of [Bombardier's current valuation](#).

I believe a significant amount of attention will be paid to how well Bombardier will be able to attract orders for its CSeries planes, as smaller regional airlines in the U.S. may be enticed to place orders, with threats of duties significantly reduced. Should Bombardier indeed begin to pick up momentum with building a proper backlog for its CSeries program, tailwinds could certainly propel shares forward in the near term. In that regard, Bombardier now represents a very interesting investment opportunity for investors interested in picking up a nice potential return over the near term.

Many of the long-term headwinds I have mentioned previously, however, remain a thorn in the side of

Bombardier's management team. I believe the company has a long way to go in increasing operational efficiency to compete with **Embraer SA** and other plane makers in the narrow-body jet segment, and time will tell how the company is able to improve revenue and profitability within its larger train unit.

In my opinion, too many long-term risks persist with Bombardier to classify this company as a good long-term play. I would caution investors to consider an appropriate investment timeline with Bombardier before jumping in at current levels.

Stay Foolish, my friends.

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