



Bombardier, Inc.: Is it Finally Time to Invest?

Description

Bombardier, Inc. ([TSX:BBD.B](#)) has had more than its fair share of troubles over the past few years.

Despite maintaining a prominent position in the manufacturing sector for both planes and trains, Bombardier has perennially run into issues, ranging from delivery and part delays to legal battles and cost overruns.

Fortunately, most of those long-standing concerns are no longer issues for the company, prompting many investors to ask if the Montreal-based manufacturer is now a viable investment option.

To answer that question, let's look more closely at Bombardier and some of the long-standing issues plaguing the company.

The CSeries is great, and everyone knows it now

The CSeries jet is, in a word, revolutionary. The jet caters to the underserved, if not completely disregarded, 100-150 passenger segment, which includes commuter and secondary routes deemed unprofitable or unsupported by larger aircraft.

The long-term potential of that emerging segment size can no longer be ignored. In many ways, Bombardier's play into the 100-150 segment is not unlike the opportunity when the jumbo-jet first took to the skies in the 60s — it created a slew of new routes and made others profitable.

In addition to the size of the aircraft. The CSeries is an evolutionary step for aircraft in efficiency, design, and components. The CSeries makes less noise and is considerably more fuel efficient than anything in the same segment, and this works well to advance the target audience of smaller towns and cities that this aircraft would serve.

The CSeries has garnered considerable attention over the past two years, which was until recently muted by the now [resolved trade dispute](#) with the **Boeing Co.** Passengers and crew of the CSeries's launch partners have given the aircraft rave reviews, and since both **Air Canada** and **Delta Air Lines Inc.** made large firm orders with Bombardier for the jet, interest in the CSeries has only increased.

Airbus is going to help with sales and logistics

The increased interest in the CSeries will continue to garner new orders from airlines around the world, such as the EgyptAir [CSeries deal](#) announced last year, but this exposes another issue with respect to the overall manufacturing of the jet remaining on schedule.

Bombardier has had a series of issues making deliveries across both its rail and plane segments. While some delays, such as missing parts or workmanship issues, can arise, the fact remains that when it comes to scheduling and delivery, Bombardier has over-promised and under-delivered.

This represents an incredibly important and game-changing factor that could be hindering sales. Aircraft are different from other transportation stock such as rail and buses in that the passenger load, range, and physical size of the aircraft all weigh into the profitability of the jet, and if there are no suitable planes to fly those routes, airlines lose money.

This is where the expertise and clout of European heavyweight Airbus will come into play. Airbus became a controlling partner in the CSeries program, which allowed Bombardier to use Airbus's U.S.-based facility to construct CSeries jets intended for use in the U.S. market, thereby bypassing any tariffs imposed by the Department of Commerce's ruling, which has since been overturned.

While the tariff issue is no longer of concern, Bombardier's underwhelming track record of deliveries is, and Airbus has noted its willingness to assist Bombardier in this regard.

Is Bombardier a promising investment?

Bombardier's CSeries is a promising take on the industry, which should provide a source of revenue for the company over the long term. Additionally, the influence and experience of Airbus will put to rest many the concerns of airlines that have stated an interest in the CSeries but opted to remain on the sidelines, potentially drawing them out as sales prospects.

Bombardier is one of the few companies in the market that is up over 30% year to date, fueled by the decision in the Boeing dispute, completely bypassing the correction earlier this month that plagued the rest of the market.

In my opinion, Bombardier is an improved investment option, but it still carries a significant amount of risk.

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