



Bombardier, Inc. (TSX:BBD.B) Misses Out on Via Rail Bid: Is the Stock Doomed?

Description

Bombardier, Inc. ([TSX:BBD.B](#)) just lost a battle on its home turf.

Via Rail Canada, a Crown corporation, signed a big \$989 million contract with **Siemens** instead of the Quebec-based company. While Via Rail can't give out favourable treatment to a Canadian company, it puts a big exclamation mark on just how badly Bombardier has failed over the years that it can't even offer a competitive enough bid despite having the advantage of being a local company.

Siemens is going to produce the trains in California, which you'd assume is going to generate a big bill to transport them into Canada. And yet, that's still not enough to tip the scales in Bombardier's favour.

It's unclear what the determining factor was that led Via Rail to select Siemens, but quality and reliability haven't been a strong spot for Bombardier in the [past](#).

If Bombardier can't compete in its home market, that doesn't bode well for the company's long-term future. It's a big deal for the company to miss out on, but it wasn't all bad news for Bombardier this week.

A much bigger deal could happen in New Jersey

New Jersey Transit recently agreed to purchase 113 rail vehicles from Bombardier. While the deal is worth over US\$669 million, there's the possibility that it could end up being as much as US\$3.6 billion.

It's a bit mystifying that Bombardier lost out on a local contract but won a deal in the U.S. (although the New Jersey deal will see the rail cars assembled south of the border). However, different bids involve different criteria and competitors, so it's not a level comparison.

Takeaways for investors

Bombardier certainly looks like it might win in the long term with the New Jersey deal having the potential to surpass the one that it lost out on with Via Rail. However, even if that turns out to be the case, Bombardier has had [issues](#) in the past with contracts, not only in securing them but in meeting

customer expectations.

Ultimately, I don't see this as changing much for Bombardier's prospects. If it had lost the New Jersey bid as well, there likely would have been a bit more panic, but it calls into question more the difference in criteria among the bids than anything else. As that's not information we can evaluate, there's not a lot of insight into the discrepancy for investors to be able to evaluate and make decisions on.

From an investor's point of view, the stock remains as [risky](#) as it was before, and clearly there are still issues that the company needs to sort out, which likely involve cost inefficiency or quality that are preventing the company from being able to secure what should be easy wins for Bombardier.

Bottom line

Bombardier remains a big question mark and continues to be a bit unpredictable. While its low price may be appealing to investors, there's definitely more room for the stock to fall and so the risk remains significant.

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Date

2025/07/05

Date Created

2018/12/14

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