



More Bad News for Bombardier (TSX:BBD.B)?

Description

The less than stellar reputation of **Bombardier** ([TSX:BBD.B](#)) appears to have finally hit the company where it hurts. In an announcement earlier this month, Via Rail opted to select **Siemens AG** over Bombardier to provide a fleet of locomotives and passenger cars.

What happened?

Bombardier's standing as a preferred vendor for infrastructure projects around the world has waned in recent years, particularly as delivery delays on several high profile projects have taken their toll on the company being selected as a vendor for new projects.

By example, Bombardier was unable to bid on a lucrative subway-car contract for New York last year due to prior contract delays. Closer to home, a series of delays on both new light-rail projects for the GTA region as well as delays and ongoing issues with Toronto's new streetcar fleet. Most recently, a bid for a \$6.3 billion automated system for Montreal bypassed Bombardier and selected France-based Alstom SA.

It's not all bad news, is it?

Fortunately for Bombardier, the company is diversified into other projects. Bombardier's Global business jet line for remains incredibly popular, and the newest addition to that product line, the Global 7500, is finally ready for its debut.

In true Bombardier fashion, the Global 7500 is set to enter into service later this month, nearly two years later than expected. The aircraft that was formerly known as the CSeries, now the A220 family from Airbus was also subject to its own multi-year delay that nearly bankrupted Bombardier several years ago.

The new Bombardier jet boasts a series of upgrades over the existing fleet of business jets, including a much-extended range that could fly from the west-coast to southeast Asia non-stop.

That extended range is important to the audience that the Global line attracts, and with a sticker price of US\$73 million each, Bombardier is hoping that the jet can attract the billions in revenue that will be needed over the next few years as Bombardier's mountain of debt begins to come due.

So far, the Bombardier is expected to make between 15 to 20 Global 7500 shipments in 2019, most of which in the latter half of the year, with deliveries in 2020 set to hit 40.

Bombardier's much-hyped turnaround plan calls for the company to trim its product portfolio, to just its rail division and global business jet line. Following the CSeries deal to Airbus, Bombardier also announced a deal for its Q400 program earlier this year for an estimated US\$300 million.

What does this mean for investors?

If there were a single phrase that could sum up the opportunity (or lack thereof) that Bombardier provides, it would be *great product, poor execution*. The company has perennially missed key delivery dates on a number of high-profile projects over the years, but now that prior performance is finally beginning to impact the ability for Bombardier to bid on and be taken seriously by prospective clients.

To put that into context, a missed delivery window on a train or plane has massive costs and consequences for that partner, and while those costs could be recouped from Bombardier, it would likely take weeks in court and wouldn't solve the immediate need for a train or plane along a route that has already been planned, tickets purchased and staff assigned to.

To put it another way, it's a lack of confidence that holds back Bombardier.

We saw a similar lack of confidence by the market exhibited when the CSeries was finally released to airlines to bid on. Despite being a superior and innovating product, the CSeries failed to garner orders from major airlines, at least until major airlines in both the U.S. and Canada (likely thanks to considerable discounts and incentives) put in firm orders for the new jets.

Overall, Bombardier remains a risky investment. The company has potential, but until Bombardier can prove it can deliver, it will continue to be weighed down. [Investors looking for growth](#) will be better served by any number of other [growth-focused opportunities](#) available on the market.

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Date

2025/09/28

Date Created

2018/12/18

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