



Can Bombardier Inc (TSX:BBD.B) Finally Provide the Strong Growth That Investors Are Craving?

Description

If there was one company that was immensely grateful for the ball dropping on New Year's Eve, it was **Bombardier Inc.** ([TSX:BBD.B](#)). The popular, if not more accurately depicted infamous manufacturer of planes and trains had a mixed year. Despite starting out in a positive light, the year resulted in more of the same; selling off profitable and potentially lucrative ventures the company worked on to focus on other areas and more missed delivery windows.

Why Bombardier's 2019 could be a hit or miss

There's no arguing that Bombardier can design and build quality products; Bombardier's trains are used in mass transit systems not just in Canada, but around the world, and Bombardier's Global Business line of jets remain the envy and gold standard of that segment, particularly with the recently launched Global 7500. Even Bombardier's CSeries, the former flagship of the company that has since been rebranded as the Airbus A220 was the recipient of multiple rave reviews from airlines, pilots, crews, and customers, on everything from fuel efficiency, range, and comfort.

Despite that impressive portfolio of products, the Achilles heel of Bombardier comes down to delivery, or more specifically, a lack thereof.

Bombardier has developed a track record over the years of missing important delivery dates with customers, which can be both costly and dangerous. Development of the CSeries went well over two years longer and billions more over budget than intended, and a series of contracts with both Metrolinx and Toronto Transit for new LRT vehicles and streetcars for the city has been revised several times in the past years because of slipped delivery dates.

In the case of Metrolinx, some of the new LRT vehicles under that contract are slated for a new transit route being built in Toronto that is set to now open in 2021. The new LRT vehicles were originally set to begin delivery several years ago, and it wasn't until October of last year that Bombardier first unveiled the new vehicle to Metrolinx. At that time, Bombardier promised to deliver its first vehicle by November, with five additional vehicles by February 2019. The entire 76-vehicle fleet has a delivery due date of

June 2021.

To date, that first vehicle was not delivered, and the deadline for the first six cars is still next month. Failing to meet that deadline could expose Bombardier to costly penalties.

Last month, Bombardier was dealt a harsh reality check as VIA Rail opted to proceed with another company for its fleet refresh. The lucrative locomotive and car contract for \$982 million was granted to Siemens AG of Germany, and was a key factor in that selecting Siemens over Bombardier was on-time delivery. This is the third big loss for Bombardier in under a year, as the company was even barred from bidding on a contract to replace New York's subways — again because of prior delays — and Bombardier was also passed on in favour of France's Alstom SA to produce trains for Montreal's transit system.

Final thoughts

While there is potential within Bombardier, the longstanding delays at the company, as well as its current financial standing warrant some concern. The company did well in its decision to offload some products from its portfolio and bring the focus back to its core product offering and move toward profitability, but with over \$7 billion in debt, Bombardier needs to make good on its \$34 billion in back orders and improve its delivery record this year. Doing so will no doubt lead to more customers and growth over time.

If Bombardier can address its delivery issues and regain the trust of its customers, then 2019 could be seen as a turning point for the company. Unfortunately, until such time, there are [far better and less risky options](#) for investors to consider on the market, many of which can provide better [long-term growth prospects](#).

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:BBD.B (Bombardier)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Date

2025/08/20

Date Created

2019/01/07

Author
dafxentiou

default watermark

default watermark