



Will Bombardier, Inc. (TSX:BBD.B) Benefit From the Boeing Co (NYSE:BA) Crisis?

Description

Boeing ([NYSE:BA](#)) is currently battling one of its biggest scandals in years. After multiple fatal crashes of its 737 MAX aircraft, nearly every model was grounded worldwide due to safety concerns.

The company is pledging a fix, but continued negative press is weighing on Boeing's once-sterling reputation. On March 26, another 737 MAX was forced to make an emergency landing, although the company says the issues are unrelated.

The market is still debating what to make of the recent disasters. Over the past 12 months, Boeing shares are still up more than 10%. If troubles persist, however, there could be much more downside than investors realize.

Smaller competitors may finally have an opportunity to eat into Boeing's dominant market share. Could **Bombardier** ([TSX:BBD.B](#)) emerge a winner?

David versus Goliath

Last quarter, Bombardier generated \$4.3 billion in revenue. While roughly half of that came from its Transportation segment, which mostly includes rail infrastructure, the other half stemmed from aircraft sales. In the fourth quarter, \$1.5 billion in sales came from business aircraft with an additional \$421 million from commercial jets.

For comparison, Boeing generated more than \$25 billion last quarter, surpassing \$100 billion in sales on the year. That makes Bombardier's aircraft segment less than 10% the size of Boeing's — a true David-versus-Goliath scenario.

Fortunately, Bombardier has an ace up its sleeve: Airbus.

Get ready for competition

A few years ago, Bombardier revealed its new CSeries lineup of jets. The problem was that no one wanted to buy them, at least at the time. The jets were criticized as being too small for major carriers yet too large for private purposes. With heavy losses due to the program, Bombardier went on life support.

Things have changed quickly.

Bombardier's Commercial Aircraft president Fred Cromer now believes the CSeries jet could take half or more of its target market. As I [wrote](#) recently, "That's a huge change from a few years ago, where the entire program was at risk of cancellation."

The bullishness stems from the company's latest partnership with Airbus. While Bombardier now only owns 38% of the program, these jets are much better positioned for rapid sales growth. Re-branded as the Airbus A220 lineup, Bombardier is taking advantage of Airbus's scale and reputation to revive this once-struggling series.

The company also owns interests in other promising aircraft models. Its Global 7500 model, for example, has the longest range of any business jet in the world, making it possible to fly non-stop from New York and Hong Kong for the first time. Bombardier should hit 20 deliveries for this aircraft in 2019.

Steady your expectations

Bombardier still doesn't have the budget, reputation, or portfolio to compete directly with Boeing, but its recent tie-up with Airbus could make it a viable long-term contender. Investors are still focused on the company's struggling financials, but the recent Boeing scandal could provide it a rare opportunity to grow market share in its aviation segment.

Shares have popped by 40% over the last 30 days, so investors are starting to realize the potential of this thesis. Still, shares are down more than 50% since the summer of 2018.

If Bombardier can capitalize on Boeing's struggles, there could be a lot more room to run.

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