



## Will the Quebec Government Bail Out Bombardier (TSX:BBD.B) Again?

### Description

Shares of **Bombardier** ([TSX:BBD.B](#)) are trading at \$0.44, which is 85% below its 52-week high. The stock has lost 78% in 2020 and wiped out billions in market value. In the current bear market, airline stocks have been hit hard, as governments around the world have closed borders and several airlines have grounded flights.

The COVID-19 pandemic will continue to take a heavy toll on global economies, at least in the near term, and this does not bode well for debt-heavy companies such as Bombardier. The coronavirus sell-off has exacerbated this decline for Bombardier — a company that was already [plagued with structural issues](#).

Last month, Bombardier announced the sale of its transportation division to Alstom, as it wanted to focus on the aviation business. The total proceeds from this sale will be around US\$6.4 billion. The company will also receive US\$591 million, as Bombardier transferred its shares that were part of the A220 program to Airbus and the Quebec government. These exits will help Bombardier strengthen its balance sheet, and the company will use the proceeds to reduce debt.

Bombardier stock fell over 30% on January 16 this year after it announced preliminary fourth-quarter results that were significantly below consensus estimates. Bombardier's Q4 sales were \$4.2 billion, well below analyst estimates of \$4.6 billion.

It reported an adjusted EBIT loss of \$230 million and cut free cash flow by \$650 million for Q4 due to the timing of certain milestone payments. At the end of 2019, Bombardier's debt stood at \$9.82 billion with a cash balance of \$2.77 billion and operating cash flow of -\$680 million. Comparatively, the stock is trading at a market cap of \$1.14 billion.

## Airline industry might get relief from the government

The coronavirus pandemic could not have come at a worse time for Bombardier. As economies are shutting down and air traffic declining at a rapid pace, governments will have no option but to revive the fledgling airline sector via relief packages and bailouts.

This will not be the first time that Bombardier has gotten itself into trouble. Back in 2016, the [company announced that](#) it finalized a \$1.3 billion bailout package with the Quebec government.

Quebec stepped in to shore up Bombardier's CSeries jet line, which was over two years overdue and the project over budget by an astonishing \$2 billion. The government of Quebec purchased a 49.5% stake in this spin-off with Bombardier retaining a majority holding.

## What's next for investors?

After selling-off several business units, Bombardier has been left with its aviation business segment. However, in 2020, airline orders are expected to plummet after most companies and individuals will cancel non-essential travel.

Several enterprises have shifted to a remote working structure and countries around the world are in partial or complete lockdown. The equity markets are expected to be volatile going forward, which will mean there is more pain for Bombardier investors.

Bombardier shares are down 68.5% since February 19, 2020 (when markets peaked), compared to the broader market decline of 28%. However, when the **iShares S&P/TSX 60 ETF** rose 12.3% yesterday, Bombardier stock was up less than 2.5%.

### CATEGORY

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1. TSX:BBD.B (Bombardier)

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