



## Bombardier (TSX:BBD.B) Disappoints Shareholders

### Description

**Bombardier** ([TSX:BBD.B](#)) is a ticking time bomb that can collapse anytime. It has not quite been an investor favourite because of the rich compensation it gives to its executives. The company went into years of losses when its CSeries aircraft went overbudget in 2014. Two things that investors love are profits and management that can deliver profits. It seems like Bombardier lacks both. The company is paying \$17.5 million in severance pay to its former CEO, Alain Bellemare, who was ousted in March. This rich compensation comes at a time when the company is losing money and piling on debt.

### Alain Bellemare's contributions to Bombardier

Alain Bellemare took the helm of Bombardier in February 2015 after the company's CSeries jets were delayed, and the U.S. tariffs and anti-dumping duties aggravated the losses. Bellemare's task was to supervise the company through a turnaround. His priority was to deleverage the company and make it profitable again.

During his tenure, Bellemare sold most of Bombardier's businesses, including the A220 commercial jet program, water bomber, Q400 turboprop, Canadair Regional Jet, and flight training divisions. The company, which once manufactured everything from snowmobiles to commercial aircraft, is now reduced to making business jets. And despite these sell-offs, its debt only increased from \$7.6 billion in 2014 to \$9.3 billion in 2019, as it reported negative free cash flow.

### Bombardier's pay policies are not in sync with investors' interest

After Bombardier [signed a deal](#) to sell its rail business to Alstom for €5.8-€6.2 billion in February, the aircraft maker ousted

## Institutional investors are unhappy with Bombardier

At a time when Bombardier should do everything to build investor confidence, it is picking up a fight with investors. During the 2020 annual shareholder meeting, Bombardier's second-biggest investor (2.24% stake), the Caisse, and other pension fund investors opposed Bellemare's compensation. The Caisse also opposed the bonuses Bombardier's executives will get on the successful completion of the Alstom deal. Shareholder advisory agency Glass Lewis even raised concerns that the company's pay practices are not in sync with its business performance.

Bombardier's pay policies came under fire in 2017 as well when the [Quebec government bailed out](#) its CSeries jet program by injecting \$1.3 billion. At that time, its top executives received high bonuses while the company continued to cut jobs and pile up debt. In 2018, the company ended up selling the CSeries program to Airbus for \$591 million. Hence, it comes as no surprise that the Quebec government is now reluctant to bail out Bombardier again.

The majority of shareholders are disappointed with Bombardier's management, as the company's top executives are minting money while shareholders are losing money.

### Investors: Stay away to stay safe

Bombardier has more disadvantages than advantages. It is selling its loss-making businesses while retaining its profit-making business jets. But its strategy has backfired, as the pandemic-driven downturn has reduced demand for business jets. The company has slashed 11% of its workforce in the corporate jets segment as it expects demand to fall by 30%. Many rating agencies have downgraded the company's long-term debt to default. Its stock has been removed from the **TSX Composite Index** for its poor performance. It may not get favourable terms if it tries to raise capital through equity or debt. The company is also unlikely to receive a government bailout.

In such times, the management is paying off handsome compensation to its ousted CEO. All signs point out that Bombardier is a crashing plane, and investors should stay away from it to keep their money safe.

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