



Has Bombardier Inc. Finally Found its Mojo?

Description

Since **Bombardier Inc.** ([TSX:BBD.B](#)) cancelled its dividend and announced it would be taking on more debt, investors have been clamouring for any good news about the company. The CSeries, which has become the bane of most Bombardier investors, has fallen two years behind schedule and its price has ballooned by over US\$1.5 billion.

It now seems that for the first time since September 2014, a new order for the CSeries has emerged. Is this a sign to investors that the bad days are behind, or is it time to strap on your parachute?

Bombardier finds its mojo...maybe.

Bombardier was enthused to hear that Malaysian start-up airline Fly Mojo had signed a letter of intent. The deal would be for 20 CSeries 100 aircraft at a price of US\$1.47 billion, with an option for 20 more that could bring the total value of the deal to US\$2.94 billion.

If this letter of intent can be converted into firm orders, this would be Bombardier's first order in a region that represents one of the largest sources of potential sales. Bombardier projects that 13,100 aircraft in the same size class as the CSeries could be purchased in that region between now and 2033.

However, there are concerns as to whether Fly Mojo will ever take off as a company. The potential airline has the backing of the Malaysian government, which has been trying desperately to repair the country's aerospace reputation. Yet some analysts believe that Fly Mojo may never actually materialize in the crowded and competitive Asian aviation marketplace. If Fly Mojo is able to come together, it is expected to enter service between October 2015 and the first quarter of 2016. Whether or not the CSeries 100 will be ready for commercial use by Fly Mojo by then is another issue.

Lost orders

Bombardier needed this potentially positive news to reassure investors after **Qatar Airways** announced "We have completely forgotten about it because you cannot wait indefinitely," concerning the CSeries. Qatar Airways has decided to go with the A319neo aircraft from **Airbus Group NV**

instead, delivering a significant PR blow to Bombardier in the Middle East.

This was followed up days later by an announcement from the Austrian branch of **Lufthansa AG** that it had cancelled its CSeries order in favour of 17 used Embrarer 195s. Fortunately for Bombardier, Lufthansa AG will continue to retain its 2009 order for 30 CSeries 100 (plus an option for 30 more) for its Swiss division.

Forecasting the future of Bombardier

As far as investors are concerned, the future of Bombardier is intrinsically linked to the success of the CSeries program. This is a theme we have seen play out several times in the past year, as we have watched Bombardier's debt balloon to dangerous levels. The situation has become serious enough that the Quebec government has come out and said it would be willing to listen if Bombardier asks for a bailout.

As of now, Bombardier has 243 firm orders for the CSeries, with another 603 options and expressions of interest on the books. However, this is still below the 300 firm orders Bombardier had projected to receive by the time the aircraft entered commercial use. What is also concerning is that the majority of the orders are for the CSeries 300 model, which is even further behind in its certification phase than the smaller CSeries 100. Of the 243 firm orders, only 63 are for the CSeries 100, which will be the first model to enter service.

The lack of North American orders for the CSeries is also concerning, and while Air Canada has expressed an interest, it is believed that it wouldn't need the aircraft until 2020, and would only make up a small portion of its fleet.

Bombardier's stock has continued to take a beating, as it closed Tuesday at \$2.48, right near the bottom of its 52-week range of \$2.32-4.43. The stock is now trading above its average price target of \$2.31, leaving investors with the risky gamble of whether or not the CSeries will succeed or if it will crash the company.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:BBD.B (Bombardier)

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