

## **LIVE** Bombardier loses \$4.9B US in 3rd quarter; Quebec to invest \$1B US in CSeries program

Company cancels Learjet 85 program, takes \$1.2-billion US charge

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Bombardier and Quebec deal details LIVE 0:00

Bombardier posted a loss of \$4.9-billion US for the third quarter because of writedowns to its CSeries and Learjet 85 aircraft programs, and announced the Quebec government will take a 49 per cent stake in the CSeries program to get the project over the finish line.

The Montreal-based company announced that the province of Quebec will invest \$1 billion US into the CSeries, which is about two years behind schedule, and that it is still looking for more investment money for its rail business.

The analyst community had been expecting bad news from the company on Thursday, as rumours of a Quebec bailout leaked earlier in the week.

But the actual numbers Bombardier posted failed to meet the already low bar of expectations. Revenue and adjusted earnings were both well below downgraded analyst estimates.

After the deal with the government of Quebec, Bombardier will own 50.5 per cent of a new joint venture, with 49.5 per cent belonging to the province. Quebec committed to the project for at least 20 years.

The CSeries has been tabbed as the future of the company for the better part of a decade now, and while Bombardier says the project is about 97 per cent of the way through final testing — one of the last steps before the planes can be put into service at airlines around the world — it is now several years late and several billion dollars in the hole.

Still, executives tried to strike an upbeat tone.

"This partnership (with Quebec) comes at a pivotal time, with the CSeries on the verge of certification," Bombardier chief executive Alain Bellemare said in a statement ahead of the company's conference call with analysts.

"The market is there, our leadership is in place, we have the best product and with the support of the government, we are ready to make this aircraft a commercial success."

Bellemare doubled down on those comments on the call, saying that the government is the perfect partner for the company in trying to bring its long-overdue plane to market.

"We're excited to unleash the full value of CSeries to shareholders," he said.

Although Bellemare struck an upbeat tone, analysts noted that the writedown announced Thursday is worth more than the entire company. And more cash will be needed before the plane gets into the air, with one executive on the call suggesting Bombardier will need another \$2 billion over the next five years to get the project over the goal line and on to the runway.

Investors appeared to agree with that gloomy view, pushing the shares down by about 10 per cent to \$1.46 on the TSX when markets opened on Thursday. That wipes out a similar gain seen the day before, when word of a bailout deal starting leaking out.

### [Learjet 85 completely cancelled](#)

Bombardier says it will continue to operate the CSeries business and include its revenues and losses in the company's overall financial reports.

The Learjet 85 program — already put on hold so Bombardier could focus more resources on the CSeries — has now been cancelled completely due to a lack of sales, the company said.

It's also continuing efforts to sell a minority stake in its rail equipment business, Bombardier Transportation, which sells subway cars and other mass transit systems.



Bombardier's CS300 Aircraft is seen through the window of a CS100 while it sits in the hangar prior to its test flight in Mirabel, Quebec, in February 2015. (Christinne Muschi/Reuters)

Bombardier is the only company in the world that is a major player in both the aerospace and rail industries, each with global operations.

Bellemare was brought into the company as president and CEO earlier this year with a mandate to lead Bombardier through a difficult transformation.

"After just a few months, we have strengthened the management team, we have conducted in-depth reviews of our business and have a much clearer picture of what we need to do," Bellemare said. "We are taking the right actions and we have solidified our liquidity position, giving us the confidence to execute our long-term strategic plan."

The third-quarter results includes a number of items related to the transformation, as well as an accounting of how Bombardier's overall business has performed from July through September.

### Weaker than expected

The \$4.9-billion US net loss — which amounts to \$2.20 per share — includes a \$3.2-billion accounting item related to the CSeries program. The loss also includes a \$1.2-billion US charge related to the Learjet 85 program, which was working on a new jet for non-airline customers.

Adjusting for the CSeries and Learjet 85 losses and other items, Bombardier would have had a \$2 million profit — essentially break-even, down from \$222 million or 12 cents per share a year earlier.

Revenue for the three-month period ended Sept. 30 fell to \$4.1 billion US, down \$800 million from a year earlier.

Even without the massive writedowns, Bombardier's results were weaker than expected. Excluding one-time items, adjusted net earnings had been forecast to drop only to \$55.5 million US. Revenue had been estimated at just under \$4.6 billion US, according to Thomson Reuters.

*With files from The Canadian Press*