

BOMBARDIER REPORTS THIRD QUARTER 2017 RESULTS

News / Finance, Manufacturer



- **Game-changing, strategic partnership with Airbus to accelerate commercial momentum for C Series program**
- **LOI for up to 61 C Series aircraft, including 31 firm from a European customer**
- **Execution of transformation plan continues to deliver margin(1) growth; full year EBIT margin guidance for all business units reaffirmed(2)**
- **Consolidated full-year EBIT before special items(2) expected to be at least \$630M, the high end of guidance range**
- **Engine delivery delays to impact C Series program; with 20-22 deliveries now expected for the year(2)**
- **Revenues and free cash flow usage(2)(3) for the full year expected to be approximately \$16.3B and \$1B, respectively**

Bombardier reported its third quarter 2017 results, highlighting continued progress transforming the company and building earnings power. The company now expects consolidated full-year EBIT before special items to be at least \$630 million, the high end of its previous guidance.

“This was a very exciting quarter for Bombardier as we welcomed Airbus to the C Series program,” said Alain Bellemare, President and Chief Executive Officer, Bombardier Inc. “This is a game-changing step for Bombardier. It positions the C Series program for long-term commercial success and will generate new and sustainable value for our customers, suppliers and shareholders.”

“We also continue to make solid progress executing our turnaround plan, and are very much on track to achieve the goals we set out in November 2015,” Bellemare continued. “We have clearly demonstrated our ability to reduce costs, improve productivity and grow margins. We have executed on our growth programs and we are taking big strategic steps necessary to unlock the full value of our portfolio.”

For the quarter, Bombardier reported revenues of \$3.8 billion. EBIT before special items grew to \$165 million, nearly doubling the third quarter 2016 amount. EBIT margins before special items were 8.5% for Transportation; 8.8% for Business Aircraft; and 9.3% for Aerostructures. Commercial Aircraft recorded EBIT before special items in line with the C Series ramp-up plan. Free cash flow usage was also in line with guidance at \$495 million for the quarter.

Along with its third quarter results, Bombardier announced that a European customer has signed a letter of intent (LOI) for up to 61 C Series, including 31 firm aircraft and options for an additional 30 aircraft. The LOI is subject to the execution of a purchase agreement which is expected before year end. Based on the list price, a firm order would be valued at approximately \$2.4 billion. This amount would increase to nearly \$4.8 billion should all 30 options be exercised.

“This significant new order confirms the increasing confidence customers have in the C Series,” said Bellemare. “Looking forward, as Airbus joins the program, and with the C Series continuing to prove itself in service, we expect sales momentum to accelerate quickly.”

Other highlights of the Company’s performance in the third quarter include a 20% revenue growth at Transportation compared to the same period last year, along with margin expansion and strong orders. Business Aircraft also delivered margin expansion as it continues to improve productivity and operational efficiency, demonstrating its ability to perform in any market environment. The Global 7000 made progress toward its certification with the fourth test aircraft entering flight-testing

in the quarter. This new ultra-long range aircraft remains on schedule to enter service in the second half of 2018.

Bombardier also announced the appointment of Douglas R. Oberhelman to its Board of Directors. Mr. Oberhelman spent 41 years at Caterpillar Inc., where he held various executive positions, including Executive Chairman, a role he held until his retirement in March 2017. Mr. Oberhelman replaces Patrick Pichette, who expressed his intention to resign from Bombardier's Board of Directors for personal reasons. The Board accepted Mr. Pichette's resignation and thanks him for his four years of dedicated service and the insight and energy he brought to the Company during his tenure.

[SELECTED RESULTS \(PDF\)](#)

Bombardier reported consolidated revenues of \$3.8 billion in the quarter and \$11.5 billion in the nine-month period, relative to \$3.7 billion and \$12.0 billion for the same periods last year, mainly as a result of continued growth in Transportation and previously announced adjusted volumes in Aerospace segments, consistent with market demand. EBIT before special items was \$165 million and \$457 million respectively for the quarter and nine-month period, up 90% and 41% for the same periods last year. This growth was driven by continued significant margin improvements at Transportation, Business Aircraft and Aerostructures, which all reached 8.5% or above in the quarter. Free cash flow usage was \$495 million in the quarter and \$1.7 billion in the nine-month period as a result of an increase in Transportation's ramp-up in production ahead of deliveries coupled with the production ramp-up in aerospace for the *Global 7000* and *C Series* programs. The financial performance year-to-date supports consolidated EBIT guidance before special items for the full year of at least \$630 million, the upper end of our previous guidance range. Consolidated revenue and free cash flow usage guidance for the year are revised to approximately \$16.3 billion and \$1.0 billion respectively to align with approximately 20 to 22 *C Series* deliveries due to engine delivery delays from Pratt & Whitney. Certain engines originally designated for production aircraft in the fourth quarter will be redirected to support spare engine requirements of current *C Series* customers.

SEGMENTED RESULTS AND HIGHLIGHTS

Business Aircraft

[Results \(PDF\)](#)

- Delivered 31 aircraft during the quarter. With year-to-date deliveries totaling 96 aircraft, we are on track to reach our guidance of approximately 135 aircraft as we head into the seasonally strongest quarter of the year.(2)
- Continued strong execution on our transformation plan and cost control initiatives with EBIT margin before special items yielding another strong quarter at 8.8%, or 8.5% year-to-date. On track to achieve margins of approximately 8.0% for the full year.(2)
- The *Global 7000* aircraft is on track for entry-into-service in the second half of 2018. The fourth FTV successfully completed its maiden flight on September 28 and will be used for interior validation testing. The four FTVs have accumulated over 900 flight hours to date. The aircraft continue to perform extremely well and to exhibit a high level of reliability. The results show a maturity which is in full support of the planned certification activities. Final preparations are under way for FTV5's initial flight and multiple *Global 7000* business jets are in final assembly.
- In line with our strategy to grow our aftermarket business, we expanded our service center in Tucson, Arizona, opened parts depots in Miami, Florida and Tianjin, China as well as

introduced new subscription-based services including *Smart Services* and Smart Training programs.

Commercial Aircraft

[Results \(PDF\)](#)

- On October 16, 2017 we announced a partnership with Airbus SE (Airbus) for the *C Series*, which should more than double the value of the program. The combination of Airbus' global reach and scale with Bombardier's newest, state-of-the-art jet aircraft family is expected to drive commercial momentum and production cost savings. In addition, the partnership intends to manufacture *C Series* aircraft from a second final assembly line in Mobile, Alabama, providing U.S. airline customers with an optimized solution in the 100-150 seat single-aisle segment. The transaction remains subject to regulatory approvals and is expected to close in the second half of 2018.(6)
- We delivered 16 aircraft, including 4 *CRJ Series*, 7 *Q400* and 5 *C Series* during the quarter. With year-to-date deliveries of regional jets and turboprops totaling 39 aircraft, we are on track to reach 50 aircraft for the year.(2)
- During the quarter, we received an order from SpiceJet for up to 50 *Q400* turboprop aircraft. The purchase agreement, the largest *Q400* turboprop order ever, includes a firm order for 25 *Q400* turboprops and purchase rights on an additional 25 aircraft. Based on list price, the order is valued at up to \$1.7 billion. This order will launch our new high-density 90-seat model.
- New engine delivery delays from Pratt & Whitney will impact full year *C Series* aircraft deliveries. Furthermore, certain engines originally designated for production aircraft in the fourth quarter will be redirected to support spare engine requirements of current *C Series* customers. As a result, approximately 8 to 10 *C Series* aircraft are now expected to be delivered in the fourth quarter, and approximately 20 to 22 aircraft for the full year. Commercial Aircraft's revenue guidance for 2017 is therefore adjusted to approximately \$2.5 billion.(2) We have entered into a LOI whereby Pratt & Whitney has agreed to support excess inventory generated by engine delays by providing us a supplier advance starting in the fourth quarter. This advance will not be included in our free cash flow, but will benefit overall liquidity and cash on hand. The LOI is subject to the execution of definitive agreements between both parties, which is expected before year end.
- *C Series* aircraft program continues to gain market acceptance with exceptional performance:
 - Subsequent to the end of the third quarter, we signed a Letter of Intent with a European customer for up to 61 *C Series* aircraft, including a firm order for 31 aircraft with options for an additional 30 aircraft. Based on list price of the aircraft, the firm order would be valued at approximately \$2.4 billion. The LOI is subject to the execution of a purchase agreement, which is expected before year end;
 - The *C Series* aircraft is performing very well, with up to 3% better fuel burn than first advertised, creating additional opportunities and improving economics of the aircraft;
 - The *CS100* aircraft from Swiss International Air Lines (SWISS) completed its first commercial flight into London City Airport in August, becoming the largest passenger aircraft certified to operate from this challenging city airport, offering new possibilities for airlines and the flying public; and
 - The *C Series* aircraft received a second Environmental Product Declaration, confirming its unmatched environmental performance. Bombardier *CS300*'s Environmental Product Declaration (EPD®) comes one year after the EPD® for the *CS100* aircraft.
- We released our 20-year Market Forecast for 2017-2036, the market for which we are the

only manufacturer with a complete range of solutions (*CRJ Series*, *Q400* and *C Series*). We expect this segment of the market, currently at 6,900 aircraft, to double by 2036 to 14,250, driven by fleet retirement and market growth.(7)

- With respect to the petition filed by The Boeing Company (Boeing) before the U.S. Department of Commerce and the U.S. International Trade Commission regarding the alleged threat caused by future exports of the *C Series* family of aircraft to the U.S., we strongly disagree with the Commerce Department's preliminary determinations of 300% duties on imports of 100-150 seat large civil aircraft from Canada. We remain confident that, at the end of the processes, the U.S. International Trade Commission will reach the right conclusion, which is that Boeing suffered no injury. We expect the U.S. International Trade Commission to issue in the first half of 2018 its final determination on the threat of injury.

Aerostructures and Engineering Services

[Results \(PDF\)](#)

- EBIT margin before special items was 9.3% for the quarter and 8.1% year-to-date. On track to achieve margin of approximately 8% for the full year.(2)
- Significantly ramped-up operations in line with the expected program growth for the *C Series* and *Global 7000* aircraft.(2)

Transportation

[Results \(PDF\)](#)

- Revenues in the third quarter increased by 20% to \$2.1 billion, driven by the ramp-up of key projects, which are gradually contributing to the approximately \$8.5 billion guidance for the year.(2)
- Order intake of \$1.8 billion in the third quarter, primarily related to contracts signed in Asia-Pacific and Europe, bringing our book-to-bill ratio(9) to 1.1 for the nine-month period. The majority of our order intake is based on current platforms, supporting the re-use of existing technologies.
- EBIT margin before special items of 8.5% in the third quarter and 8.2% for the nine-month period, puts us on track to reach our guidance of approximately 8% for the full year.
- Transformation initiatives continue to support margin expansion. In September 2017, management and the General Works Council of Bombardier Transportation GmbH formalized a general company agreement regarding the transformation in Germany, paving the way for key milestones of the transformation including the specialization of German sites.

Warrants in connection with the Airbus partnership

In connection with the private placement to Airbus of warrants to acquire up to 100,000,000 Class B shares (subordinate voting) of Bombardier, the TSX has determined to accept notice of the private placement of such warrants and has conditionally approved the listing of the Class B Shares issuable pursuant to the terms of the warrants on the TSX. Listing will be subject to Bombardier fulfilling all of the listing requirements of the TSX. Security holder approval is required under TSX rules due to the fact that the warrants will be issued later than 45 days from the date upon which the exercise price was established, as set out in Section 607(f)(i) of the TSX Company Manual. Such approval has been obtained, as agreed with the TSX and in reliance on the exemption contemplated by Section 604(d) of the TSX Company Manual, by way of written consent of shareholders holding more than 50% of the voting rights attached to all of Bombardier's issued and outstanding shares.

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