

Bombardier's Aerostructures division chosen to supply Airbus for new engine program

The announcement comes several weeks after Airbus said it will acquire a 50.01 per cent stake of Montreal-based company's CSeries program



Bombardier Aerostructures and Engineering Services has been selected by Airbus as a supplier on a new engine program. *Frederic Lancelot / THE ASSOCIATED PRESS*

Airbus selected Bombardier Inc. to supply a new engine part for its A320neo program, weeks after the two companies announced a blockbuster partnership that will see Airbus acquire a majority stake in the CSeries program.

Bombardier announced Monday that the company's Aerostructures and Engineering Services facility in Northern Ireland will develop and manufacture a new thrust reverser that it says will enable Airbus to offer an innovative nacelle — the structure that surrounds a jet engine — for its Pratt and Whitney powered Airbus A320neo aircraft.

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Helen Gregory, a spokesperson for Bombardier Aerostructures and Engineering Services, said the new contract was not related to the Airbus' pending acquisition of Bombardier's CSeries program, and that the division has been an Airbus supplier for many years.

"Our fast-track operation has extensive experience and expertise, having accumulated more than 40 years in the design, development, manufacture and support of aircraft nacelles," Gregory said in an emailed statement. "This new work package reinforces our long-term strategy to grow our capabilities in the nacelles market, and will enable us to build on the relationship we already have with Airbus."

Gregory said the value of the contract is confidential, and would not comment on how the Airbus partnership could affect the division.

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The announcement comes several weeks after it was announced that Airbus will acquire a 50.01 per cent stake of Montreal-based company's marquee CSeries program, a deal that will provide Bombardier with some much-needed stability, according to analysts.

During a conference call with analysts following the release of the company's third quarter results in November, chief executive Alain Bellemare said the Aerostructures and Engineering Services division was not only positioned to grow due the ramp up of both the CSeries and Global 7000 programs, but that it has "unmatched manufacturing capabilities that are under-appreciated." He added that about 75 per cent of the division's volume is related to in-house Bombardier products, including the CSeries jet, and 25 per cent is from external customers.

"The question that is on our mind is how do we further grow volume at aerostructures," Bellemare said.

"It can be done in multiple ways ... The name of the game here is we want to break more value, because we have great capabilities and we can bring value to customers in multiple forms."

Bombardier's aerostructures division remains its smallest in terms of revenues. Last year, it pulled in \$1.5 billion, behind the company's commercial aircraft segment, which made \$2.6 billion in revenues. Bombardier Transportation remains the most profitable division, with \$7.6 billion in revenues, while business aircraft earned \$5.7 billion.

Richard Aboulafia, an aviation analyst with Teal Group, said the partnership could potentially lead to more business for Bombardier.

"On the one hand, Boeing and to a lesser extent Airbus are working to vertically integrate more. But on the other hand, Airbus' willingness to work with Bombardier implies an interest in a closer relationship that could lead to a risk-sharing partnership role on the next Airbus," he said.

Addison Schonland, an aviation consultant and partner at AirInsight, said given the pending CSeries deal, Monday's announcement is "a natural partnership."

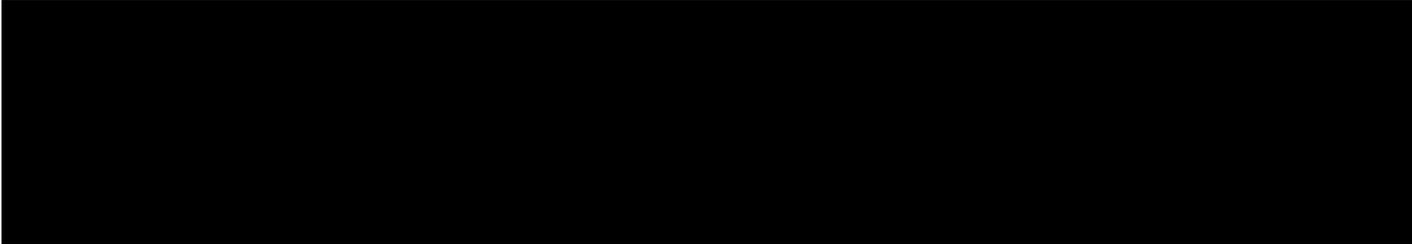
"This is a slow start, but they are starting to move in a direction where they are finding more ways to trade with each other,"

Schonland said. "This is a good signal for Bombardier, because it demonstrates that they have the technical capabilities to deliver what Airbus needs."

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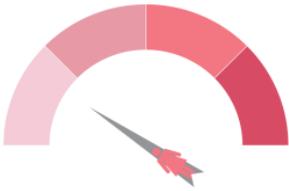


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