

Bombardier strikes deal to sell at least 30 C Series planes to Air Baltic

N I C O L A S V A N P R A E T

M O N T R E A L
P U B L I S H E D M A Y 2 8 , 2 0 1 8
U P D A T E D 1 7 H O U R S A G O

Bombardier Inc. has struck a deal to sell at least 30 C Series planes to Air Baltic Corporation, a vote of confidence from a repeat customer ahead of the commercial airliner's takeover by Airbus SE.

The European carrier has put in a firm order for 30 larger CS300 planes with options and purchase rights on another 30 aircraft, Bombardier said in a statement on Monday. The sale is worth US\$2.9-billion based on the list price of the aircraft, although discounts are common.

The agreement marks an endorsement for Bombardier's flagship commercial airliner from an early customer at a time when the plane program is poised to fall under Airbus control. Air Baltic has been flying CS300 planes for more than a year as it phases out an older fleet and buying more now will send a message to other potential buyers that the aircraft can deliver proven low operational costs and fuel savings in real-world conditions.

S T O R Y C O N T I N U E S B E L O W A D V E R T I S E M E N T

Bombardier's widely-traded B-class shares jumped 3 per cent to \$4.52 in afternoon trading in Toronto. They've gained about 49 per cent this year.

Montreal-based Bombardier ceded majority control of the C Series airliner to Airbus last fall for no cash consideration in exchange for the European plane maker's marketing and procurement power. The deal is expected to close within days, bringing an end to the Canadian company's ambitious but risk-filled effort to go it alone and break the Airbus-Boeing Co. duopoly in 100-seat-plus, single-aisle aircraft.

Airbus is believed to be planning to market the C Series under its own branding. Bombardier has said it will use the equity method to account for the C Series investment after the agreement is finalized, meaning it will report income earned from the program based on its minority stake and provide no other details. Together, the two partners believe there is a market for about 6,000 planes seating 100 to 150 people over the next 20 years and that they can capture at least half of the orders with the C Series.

"It seems to me that after all those years of promise, at last we're seeing something" for Bombardier, said Addison Scholand, analyst at boutique aerospace consultancy AirInsight. "As for Air Baltic, they're saying, 'I don't care if it's an Airbus A200 or a C Series by the time it comes to me. I want this thing.'"

With the new sale, Bombardier's C Series order book swells to more than 400 planes. The backlog includes big-name customers such as Delta Air Lines, EgyptAir and Lufthansa AG unit Swiss. But it also includes more shaky orders from customers including Republic Airways Holdings, Gulf Air and Odyssey totalling about 60 planes, according to research by Leeham Co.

Bombardier spokeswoman Nathalie Siphengphet said the company is happy with the quality of its C Series order book, which includes orders from the most reputable airlines in the world and ensures deliveries beyond 2020. "We are in a good place," she said.

When Airbus closes its partnership with Bombardier, analysts speculate many of the C Series sales campaigns that are currently underway could come to fruition. Ethiopian Airlines has narrowed its choice for a small plane between the Embraer E175 E-2 and the CS300, Leeham notes, while JetBlue and Spirit Airlines are both said to be weighing a C Series order.

S T O R Y C O N T I N U E S B E L O W A D V E R T I S E M E N T

Air Baltic is anticipating that new interest in the aircraft and guaranteeing its place in line as a result, Desjardins Capital Markets analyst Benoit Poirier says. "We believe Air Baltic placed its order to secure early-slot deliveries ahead of upcoming orders from other airlines," he said in a note.

With its latest order, Air Baltic becomes the biggest European C Series customer and second biggest worldwide. The airline is expanding operations in all three Baltic countries, namely Latvia, Estonia and Lithuania.

R E P O R T A N D E D I T O R I A L C O D E O F
E R R O R C O N D U C T

T E R M S & C O N D I T I O N S P R I V A C Y P O L I C Y

SUBSCRIBE

BUSINESS SERVICES

CONTACT US

READER SERVICES

ABOUT US

© Copyright 2018 The Globe and Mail Inc. All rights reserved.

351 King Street East, Suite 1600, Toronto, ON Canada, M5A 0N1

Phillip Crowley, Publisher