

Embraer joint venture with Boeing could make life tougher for Bombardier: analysts



The Boeing logo appears above a trading post on the floor of the New York Stock Exchange on July 24, 2017. The global aerospace landscape will again change as Boeing Co. announced a planned tie-up with Embraer SA that could put pressure on Bombardier Inc. and its C Series joint venture with Airbus. Boeing will own 80 per cent of the joint venture valued at US\$4.75 billion and Embraer the remaining 20 per cent. *Richard Drew / THE CANADIAN PRESS*

MONTREAL — The planned tie-up between Boeing Co. and Embraer SA could make life a little tougher on the Airbus-controlled C Series and Bombardier Inc.'s regional aircraft business, industry observers said Thursday.

Boeing will own 80 per cent of the joint venture valued at US\$4.75 billion and Embraer the remaining 20 per cent. The deal is expected to close toward the end of 2019.

The partnership is clearly a reaction to Bombardier's partnership with Airbus on the C Series, the Montreal-based transportation company said.

July 5, 2018
12:49 PM EDT
Last Updated
July 5, 2018
5:20 PM EDT

PMN Business

“Irrespective of whether Boeing and Embraer finalize their partnership, the C Series is simply the better aircraft; the best in its class. Today’s announcement doesn’t change that,” spokesman Simon Letendre wrote in an email.



Getting the support of one of the world’s largest aircraft makers restores equilibrium to a commercial aircraft market following the Airbus-Bombardier joint venture that closed on Sunday, said Richard Aboulafia of the Teal Group.



Gaining Boeing’s help was essential to help Embraer restore the competitiveness of its largest commercial planes against the CS100, Aboulafia said in an interview.



R E L A T E D S T O R I E S :



Bombardier at a disadvantage as Boeing and Embraer forge US\$4.75-billion joint venture

R E C O M M E N D E D

F O R Y o U nbraer forge \$4.75 billion commercial jet venture to take on Airbus and er



er’s C Series aircraft officially renamed A220 as it joins nily

Bombardier sells Downsview assembly site for \$635 million in major makeover

the C Series,” he said.

allenge the new plane, Aboulafia said Embraer has to restore the cost competitiveness of its larger 190 l jets.



lized that with Airbus’ help, the C Series was suddenly far more competitive in its sales campaigns. If a single smoking gun behind today’s announcement, that’s it.”

ie deal is aimed at reducing Embraer’s cost base by using Boeing’s leverage to force supplier deals azilian company to more aggressively compete with the C Series for orders, he said.

Canada has already picked a losing strategy for Trump’s trade war

æer’s hands, agreed Ernie Arvai, a partner at commercial aviation consultancy AirInsight.

mpetition than having Embraer alone against Airbus,” he said.

Arvai said the Boeing joint venture won’t necessarily be smooth sailing because of the vastly different corporate cultures and organizational structure of the two companies.

But he said Bombardier can hold its own — as it has shown by recently winning regional jet orders from Delta Airlines and American Airlines — as long as scope clauses remain in the United States that limit the size of aircraft that an airline can contract out to a regional airline.

That gives Bombardier’s CRJ 700 and 900s an advantage over Embraer’s E175 E2.

While Embraer will be backed by a company with deep pockets, he said Boeing can’t react as quickly or provide the same level of personalized attention that Bombardier can.

Arvai said there is a window of opportunity for Bombardier to remain quite competitive.

“I think you’re always worried when you have a company with deep pockets but I don’t think I would panic at this point.”

But Walter Spracklin of RBC Capital Markets said Bombardier’s regional aircraft could be at a disadvantage as it competes

alone against Embraer, which will have more sales and marketing clout through the American aerospace giant.

“Nevertheless, we see Bombardier’s regional jets as having a competitive cost element — and we are maintaining our (already muted) sales forecasts in regional aircraft,” he wrote in a report.

Benoit Poirier of Desjardins Capital Markets said Embraer will also have financial support to pursue new “growth initiatives” in the business jet segment and possibly a turboprop to compete with Bombardier’s Q400.

“On the positive side, the commercial aircraft industry will evolve from four key players to two, which should bring a more rational pricing dynamic, in our view,” he wrote.

Bombardier has a year and half to be aggressive in the market before any Boeing deal is finalized, added Karl Moore, professor at McGill University’s Desautels Faculty of Management.

Without the shadow of the C Series, Bombardier can attract attention on its regional aircraft as recreational products division BRP Inc. did when it split in 2003 from the transportation giant and now thrives.

“They had all of the attention and that can be good.”

On the Toronto Stock Exchange, Bombardier’s shares closed at \$5.18, up 3.4 per cent in Thursday trading.

Companies in this story: (TSX:BBD.B)





Hey Mr. Trump, when it comes to trade, even America has its sacred cows

If you are going to call another country out on its trade policies, you'd better be ready to defend your own

[← Previous](#)

[Next →](#)

P M N B U S I N E S S

Restaurant still serving New England fare 100 years later



BP Canada gets green light to restart drilling off Nova Scotia coast after spill



Chinese leaders order probe over vaccine scandal

Papa John's attempts to ward off founder with poison pill



UK top diplomat warns no Brexit deal 'now a very real risk'

[Show More ▾](#)

T O P S T O R I E S



How Canada's banking protections stifle innovation at home, but give Big Six free rein to expand abroad

Access denied: Intended to keep the financial system safe, critics say regulations limit competition and consumers' choice



Cash is better than U.S. stocks for the first time in a decade — and that has some people worried

Rising short-term bond yields and the flattening curve is classic late-cycle action and raises the risk of a recession



Tim Hortons launches all-day breakfast across Canada

Starting Wednesday, customers will be able to buy a Tim Hortons breakfast sandwich at any time of the day



Exit of ailing Fiat Chrysler CEO Sergio Marchionne is a big loss for Windsor

A graduate of the University of Windsor, Marchionne was viewed by many as an advocate for Canada's motor city



[Find Financial Post on Facebook](#)

0 Comments

Sort by **Oldest** ↓



Add a comment...

 Facebook Comments Plugin



Classifieds

- Remembering
- Celebrating
- Classifieds Marketplace
- Careers
- FlyerCity
- Post a Classifieds ad

Advertise With Us

- Partnerships
- Resources
- Content Works

Sales Directory


- About Us

My Account

- Subscriber Self-Serve
- ePaper

Stay Connected



 **POSTMEDIA** © 2018 Financial Post, a division of Postmedia Network Inc. All rights reserved. Unauthorized distribution, transmission or republication strictly prohibited. Powered by WordPress.com VIP

365 Bloor St East, Toronto, ON, M4W3L4, www.postmedia.com

[Privacy](#) | [Terms](#) | [Copyright](#)

[Site Map](#) | [Contact Us](#)