

REPORT ON BUSINESS

# Bombardier exits commercial aviation as Airbus, Quebec take remaining A220 stake

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An Airbus A220-300 aircraft flies during its unveiling near Toulouse, France, on July 10, 2018.

REGIS DUVIGNAU/REUTERS

**Bombardier Inc. is pulling out of its joint venture with Airbus SE in a bid to save cash, closing the book on its failed big-league commercial aerospace ambitions as it reported a US\$1.7-billion net loss for its latest quarter.**

The Montreal-based multinational, which is working to sell one of its two big business units to fix an over-extended balance sheet, said Thursday it will exit a venture known as Airbus Canada Limited Partnership that builds the European plane maker's A220 single-aisle jet.

The plane is the former C Series airliner developed by Bombardier at a cost of more than US\$6-billion.

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Airbus will pay Bombardier about US\$600-million to increase its share in the venture to 75 per cent from just over 50 per cent and relieve Bombardier of further capital commitments in the program worth US\$700-million, the companies said in a statement Thursday. The Quebec government will boost its share in the venture to 25 per cent from about 16 per cent for no cash consideration.

"This makes life easier for Airbus," said Addison Schonland, an analyst at boutique aerospace consultancy AirInsight. "[Now they have] only one partner to consider."

Investors and analysts had been anticipating the move after Bombardier issued a profit warning last month and said it was reassessing its ongoing participation in the venture amid the prospect of a delayed break-even timeline and lower returns.

The agreement, which takes effect immediately, brings to an end Bombardier's involvement in commercial aerospace. It also marks a bitter end for the company's effort to break the global

**commercial airliner duopoly held by Airbus and Boeing with the C Series.**

The C Series, a single-aisle plane seating 100 to 150 people, was years late to market as well as over-budget and Bombardier misjudged how aggressive its rivals would be in trying to undermine its success. The effort left Bombardier hamstrung with more than US\$9-billion in long-term debt that has triggered its slow breakup.

Bombardier is running simultaneous sets of talks in Europe and North America on selling either its rail or luxury-jet unit, according to information gathered by The Globe and Mail. Discussions have been held with France's Alstom SA and Japan's Hitachi on the train side and U.S. conglomerate Textron Inc. and private equity giant Carlyle Group on the plane side, sources confirmed.

The company has confirmed only that it is pursuing options that would allow it to pay down debt and fix its capital structure. It said Thursday the process remains ongoing but provided no update.

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Over the past five years under Chief Executive Alain Bellemare, Bombardier has sold its waterbomber business, its Q400 turboprop unit, its CRJ regional jet franchise and its flight training business among other assets. Most important, it handed control of its cutting-edge C-Series airliner, now rebaptized the A220, to Airbus for a nominal sum in 2018.

The A220 is being hailed by operators and travellers alike for its quiet operation, fuel efficiency and cabin features. Since taking over the jet program, Airbus has generated cumulative orders of 658 units for the plane as of the end of January, 2020.

In recent weeks, Airbus asked Bombardier and Quebec, the third partner in the venture, to put more money into the partnership to fund a production increase. In the end, Bombardier decided it was unwilling to given its cash flow issues.

The agreement with Airbus is a largely a win for the government of Premier François Legault, who manage to secure more than 3,300 aerospace jobs in the province and protect its previous US\$1-billion investment in the A220 venture. Although Quebec does not have to pay to increase its stake, it is understood to be responsible with Airbus for future funding for the

program.

As part of the deal, Airbus has bought Bombardier's work package production capability on the Airbus A220 and A330 jets. Airbus can buy out Quebec's share in 2026, three years later than originally planned.

The announcement came as Bombardier reported a US\$1.7-billion net loss for the fourth quarter of fiscal 2019 on revenue of US\$4.2-billion. The company is struggling to complete several major rail contracts and has absorbed cost overruns and late-delivery penalties that have sucked up cash.

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Nevertheless, the manufacturer said Thursday it has enough financial flexibility to complete its turnaround. It said it has pro forma cash on hand of more than US\$4-billion and US\$5.5-billion in liquidity.

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