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## Bombardier shares fall after downbeat assessment

By BERTRAND MAROTTE

Montreal-based Bombardier has been struggling with a number of issues, including having to reassess the production timeline of its Global 7000/8000 line, its biggest and longest-range business jet

Worried investors sent Bombardier Inc. shares plummeting Wednesday as concerns rose over the company's [balance sheet](#) and a downbeat assessment of the market for large-cabin business jets by a major aircraft-interiors manufacturer.

At one point Wednesday morning, the widely traded class B shares had fallen as much as 18 per cent to levels not seen since 1993. The [stock](#) regained some ground to close down 5.6 per cent at \$1.69 on the [Toronto Stock Exchange](#).

Amin Khoury, the executive chairman of B/E Aerospace Inc. of Florida, had told analysts on a conference call that "energy-producing companies and governments have put a damper on capital spending, which has negatively impacted business-jet sales. On a regional basis, new large-cabin business-jet demand has come under pressure as international [markets](#) that represented a significant source of demand have now become sellers, putting their used aircraft on the market, including China, Russia and Latin America."

Mr. Khoury added that the United States – still the world's biggest business-jet market – "remains the strongest market on a relative basis."

Adding to the uncertainty Wednesday, some bondholders on a conference call with Bombardier arranged by Citigroup expressed concerns about the company's liquidity position, given the challenges it faces in the business-jet market and in winning over converts to its new C Series airliner, according to sources.

"How are you going to pay these long-dated bonds if the existing businesses are not generating the [cash](#) to pay them back?" said one source with knowledge of the conference call.

Bombardier bonds have had a rough ride in the market so far this year. For example, the 7.5 per [cent](#) bonds maturing in March, 2025, now yield more than 11 per cent after they tumbled in price recently, including a sharp drop Wednesday.

Bombardier spokeswoman Isabelle Rondeau confirmed the conference call with bondholders Wednesday, but she said it was a routine meeting, one of many that the company's investor relations department schedules over the course of the year.

"Nothing in particular was discussed," she said, adding that all of the topics – including how Bombardier did at the recent air show in Paris – are public knowledge.

Bombardier is in its "quiet period" ahead of the release of second-quarter earnings results on July 30, Ms. Rondeau said.

Montreal-based Bombardier is struggling with a number of issues, including having to reassess the production timeline of the Global 7000/8000 line, its biggest and longest-range business jet.

Some analysts have also raised concerns over the company's balance sheet, notably its cash flow.

Earlier this year, Bombardier suspended manufacturing work on its all-new Learjet 85, which is at the smaller end of the company's business-jet offerings.

The market for smaller business jets has been soft, but the comments made by Mr. Khoury on Wednesday suggest that the market for larger corporate jets – believed more resilient – may not be doing as well as had been thought.

"It's a crisis of confidence," **Veritas Investment Research** president **Anthony Scilipoti** said. "People are just getting uneasy about execution."

Bombardier said in February that it was scrapping its dividend, raising \$600-million in new equity and up to \$1.5-billion in long-term debt as it moves to clean up its balance sheet.

Pierre Beaudoin – of the controlling-shareholder Bombardier-Beaudoin family – relinquished his role as chief executive, and outsider Pierre Bellemare was brought in to take over day-to-day operations. Mr. Beaudoin became executive chairman.