



# BOMBARDIER ANNOUNCES FINANCIAL RESULTS FOR THE THIRD QUARTER

News / Finance



(All amounts in this press release are in U.S. dollars unless otherwise indicated. Amounts in tables are in millions except per share amounts, unless otherwise indicated. This press release contains both IFRS and non-GAAP measures. Non-GAAP measures are defined and reconciled to the most comparable IFRS measures in the Corporation's MD&A. See Caution regarding non-GAAP measures at the end of this press release.)

**Bombardier** today reported its **financial results** for the third quarter ended September 30, 2015. Revenues totalled \$4.1 billion for the quarter, compared to \$4.9 billion for the same period last fiscal year.

For the third quarter ended September 30, 2015, earnings (loss) before financing expense, financing income and income taxes (EBIT) totalled a loss of \$4.6 billion, compared to earnings of \$171 million for the same period last fiscal year.

Net loss totalled \$4.9 billion, or loss per share of \$2.20, due to special items mainly related to impairment charges on C Series and Learjet 85 program tooling, compared to net income of \$74

million, or earnings per share (EPS) of \$0.03, for the same period the previous year. On an adjusted basis, net income amounted to \$2 million, or EPS of nil, for the third quarter ended September 30, 2015, compared to \$222 million, or \$0.12, for the same period the previous year.

For the three-month period ended September 30, 2015, free cash flow usage (cash flows from operating activities less net additions to property, plant and equipment (PP&E) and intangible assets) amounted to \$816 million, compared to a usage of \$368 million for the same period last year. As at September 30, 2015, available short-term capital resources of \$3.7 billion included cash and cash equivalents of \$2.3 billion, compared to \$3.8 billion and \$2.5 billion, respectively as at December 31, 2014. The overall backlog reached \$61.8 billion as at September 30, 2015, compared to \$69.1 billion as at December 31, 2014.

“After just a few months, we have strengthened the management team, we have conducted in-depth reviews of our business and have a much clearer picture of what we need to do,” said Alain Bellemare, President and Chief Executive Officer, Bombardier Inc. “We are taking the right actions and we have solidified our liquidity position, giving us the confidence to execute our long-term strategic plan.”

“Today, we are proud to announce that the government of Québec will invest \$1 billion in the C Series aircraft program. This partnership comes at a pivotal time, with the C Series on the verge of certification. The market is there, our leadership is in place, we have the best product and with the support of the government, we are ready to make this aircraft a commercial success,” added Mr. Bellemare.

Consistent with its strategy, Bombardier is pursuing the placement of a minority stake in its Transportation business segment. Bombardier Transportation is a global market leader with a local production presence in over 20 countries, the broadest portfolio of products and services and the largest engineering organization in the industry. The excellent outlook for the rail transportation sector has been acknowledged in preliminary conversations with potential investors and the Corporation expects to make an announcement soon.

Since launching the Bombardier transformation plan in the second quarter of 2015, the Corporation has completed a bottom-up assessment of the operational changes needed to succeed. Through this process, the transformation teams identified many key initiatives to deliver important cash savings over the next five years. These initiatives are either in the validation phase or being executed by the business segment teams to generate the forecasted savings. The focus is currently on reducing inventory and product costs, which represent important drivers of Bombardier’s competitiveness.

In September 2015, airline industry veteran Nico Buchholz was appointed as Senior Vice President and Chief Procurement Officer, Bombardier Inc. Previously, Mr. Buchholz spent 14 years at Lufthansa, where he was in charge of the corporate fleet, including the procurement of airframes and engines. In this new position, his main role is to ensure that goods and services purchased by Bombardier meet the highest standards in terms of quality, on-time delivery and cost-efficiency.

#### Government of Québec’s investment in the C Series aircraft program

Bombardier has entered into a memorandum of understanding which contemplates a \$1.0 billion investment by the Ministère de l’Économie, de l’Innovation et des Exportations du Québec (through Investissement Québec) (the Government) for a 49.5% equity stake in a newly-created limited partnership (the Investment) to which would be transferred the assets, liabilities and

obligations of the C Series aircraft program. This newly created limited partnership will be owned 50.5% by Bombardier and, as a subsidiary of Bombardier, will carry on the operations related to the Corporation's C Series aircraft program. After the Investment, the newly created limited partnership will continue to be consolidated in Bombardier's financial results. The Investment has been approved by the Board of Directors of Bombardier and the Cabinet of the Government of Québec, and remains conditional upon the completion of definitive agreements, the receipt of consents from third parties, the completion of an internal pre-closing reorganization, the receipt of required regulatory approvals and other customary conditions precedent. The proceeds of the Investment will be used entirely for cash flow purposes of the C Series program.

The Investment also includes the issuance to the Government of warrants exercisable to acquire up to 200,000,000 Class B Shares (subordinate voting) in the capital of Bombardier (Class B Shares) (representing approximately 8.18% of the aggregate issued and outstanding Class A Shares (multiple voting) in the capital of Bombardier (Class A Shares) and Class B Shares assuming the exercise of the warrants, and approximately 8.90% of the aggregate issued and outstanding Class A Shares and Class B Shares on a non-diluted basis), at an exercise price per share equal to the US\$ equivalent of \$2.21 Cdn on the date of execution of definitive agreements, which represents a premium to the 5-day VWAP of the Class B Shares on the TSX as of October 20, 2015. The TSX has determined to accept notice of the private placement of warrants and has conditionally approved the listing of the Class B Shares issuable pursuant to the terms of the warrants on the TSX. Listing will be subject to Bombardier fulfilling all of the listing requirements of the TSX. The warrants will have a five-year term from the date of issue and will not be listed on the TSX. The warrants (and any Class B Shares issuable pursuant to the exercise of the warrants prior to the expiration of the applicable hold period), will be subject to a statutory four-month hold period. The warrants will contain market standard adjustment provisions, including in the event of corporate changes, stock splits, non-cash dividends, distributions of rights, options or warrants to all or substantially all shareholders or consolidations.

Security holder approval is required under TSX rules due to the fact that the warrants will be issued later than 45 days from the date upon which the exercise price was established, as set out in Section 607(f)(i) of the TSX Company Manual. Such approval has been obtained, as agreed with the TSX, by way of written consent of shareholders holding more than 50% of the voting rights attached to all of Bombardier's issued and outstanding shares.

The Investment was negotiated between Bombardier and the Government at arm's length and will not materially affect control of Bombardier.

The definitive agreements are expected to be entered into on or before January 1, 2016, or such other date as the Corporation and the Government shall agree, and disbursement of the Investment and issuance of the warrants will occur over two equal installments, expected to take place on April 1, 2016 and June 30, 2016, respectively, subject to the conditions to closing.

The Investment contemplates a continuity undertaking providing that Bombardier shall maintain in the Province of Québec, for a period of 20 years, the newly-created limited partnership's operational, financial and strategic headquarters, manufacturing and engineering activities, shared services, policies, practices and investment plans for research and development, in each case in respect of the design, manufacture and marketing of CS100 and CS300 aircraft and after-sales services for these aircraft and that Bombardier will operate the facilities located in Mirabel for these purposes.

The Government's interest in the partnership will be redeemable in certain circumstances.

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