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2nd UPDATE: Bombardier 3Q Net, Revenue Fall On Aerospace Weakness

(Updates with analyst's comments in paragraphs 5, 6 and 16. Adds paragraph 4. Updates stock.)

By Caroline Van Hasselt
OF DOW JONES NEWSWIRES

TORONTO (Dow Jones)--Bombardier Inc. (BBD.B.T), a Canadian manufacturer of planes and trains, announced third-quarter earnings fell 15% on lower revenue, missing analyst expectations, as a shaky global economic recovery keeps business and commercial aircraft orders suppressed.

Bombardier, the world's third-largest civil aircraft maker behind Boeing Co. (BA) and Airbus SAS, said its transportation division had a "good" level of new orders, ending the quarter with a record backlog of \$32.7 billion, while its aerospace operations remained difficult "with leading indicators sending mixed signals as to the timing of a full recovery."

The aerospace division received 23 net orders, up from seven a year earlier, while deliveries fell to 53 from 61. Of these deliveries, 33 were business aircraft, 19 were commercial and one was amphibious.

Unlike Boeing and Airbus, Montreal-based Bombardier and Brazilian rival Empresa Brasileira de Aeronautica SA (ERJ, EMBR.BR) are both experiencing slow growth in their order books, as the airline industry recovers from its worst-ever downturn. Many of this year's orders have come from lessors, which traditionally don't order the smaller planes that both Bombardier and Embraer manufacture. As well, airlines get a bigger cost savings from replacing larger rather than smaller jets. Further, Bombardier has a large CRJ fleet in the U.S., where sluggish economic growth is keeping orders at bay.

"This has been a difficult year for Bombardier Aerospace, as they have struggled to gain orders for their aircraft," says Paul Sheridan, head of risk advisory, EMEA at Ascend Worldwide in London. "In the commercial aircraft market, they are taking orders for far fewer aircraft than they are delivering. When compared to Boeing and Airbus and the number of orders they have taken this year, this looks quite bad, although it must be said that Embraer has not been much better."

Smaller aircraft typically aren't ordered as far in advance as larger planes, so it's not unexpected that in a downturn orders will be lower, he says. "It's actually more surprising that Boeing and Airbus got so many orders this year."

This year, Boeing and Airbus have garnered 557 and 430 new aircraft orders, respectively, while Bombardier and Embraer have each received 85, according to Ascend's data. The Bombardier figures include the Dash 8 Q400 turboprops.

Bombardier's net income for the quarter ended Oct. 31 fell to \$143 million, or 8 cents a share, from \$168 million, or 9 cents, a year earlier. Revenue declined 13% to \$4 billion.

The Thomson Reuters mean estimate was for earnings of 9 cents a share on revenue of \$4.53 billion.

In Toronto Wednesday, Bombardier class B shares were recently down 4 Canadian cents to C\$4.73.

Aerospace revenue fell 14% to \$1.8 billion, mainly due to a drop in manufacturing revenue as a result of

lower deliveries, while transportation division revenue declined 12% to \$2.2 billion.

Bombardier said development of its new CSeries aircraft program is on schedule.

Investors keep a keen eye on developments with Bombardier's much-anticipated CSeries aircraft, a single-aisle jetliner featuring fuel-efficient engines that's scheduled to enter service in 2013. Wednesday, Airbus announced it will re-engine its A320 family with new fuel-efficient engines, which some analysts said could put pressure on the CSeries.

Bombardier said yesterday the move by Airbus won't hamper CSeries sales. It already has 90 firm and 90 potential orders for the new jets.

Guy Hachey, president of Bombardier Aerospace, said on the earnings call that the company remains in advanced talks with a handful of customers for the CSeries.

"The CRJ series is facing significant competition over the next five years, and they need the CSeries to perform in order to maintain profitable growth," says Sheridan.

In transportation, where Bombardier is the world's No. 1 train maker, revenue declined 12% to \$2.2 billion, as major projects had to be phased out before new ones could start.

-By Caroline Van Hasselt; Dow Jones Newswires; 416-306-2023; caroline.vanhasselt@dowjones.com

(Judy McKinnon contributed to this article.)