



Celestica Stock Is Soaring: Time to Buy?

Description

One Canadian-listed stock that has been performing extremely well of late has been **Celestica** ([TSX:CLS](#))([NYSE:CLS](#)). Indeed, this company recently hit its 52-week high and is now trading approximately 7.5% off from its peak. Investors bullish on Celestica stock appear to favour the company's hardware platform and supply chain solutions of late.

Indeed, given the supply chain concerns rocking the market, this makes sense.

Let's take a look at two reasons why this stock has so much [momentum](#) right now.

Business model built for growth right now

Celestica is a U.S.-based electronic manufacturing service company. Celestica stock has surged, as the company [agreed to acquire](#) Singapore-based firm PCI Limited for a whopping \$306 million in cash from Platinum Equity. PCI is a company that deals in engineering, manufacturing, and designing projects.

PCI operates with five designing and manufacturing facilities across Asia. The company aims to generate annual revenue of \$325 million in 2021. After this acquisition, Celestica stock by jumped by more than 16% in the month of September.

This deal appears to be a big one for a number of reasons. Rob Mionis, president and CEO of Celestica, stated his pleasure to join hands with PCI. According to him, PCI's engineering-led business aligns with Celestica's strategic objectives. The acquisition will help to broaden the customer base and expand the company's ATS portfolio.

He further added that the PCI acquisition would lead to superb revenue generation and cash flow. This augurs well for Celestica to improve its financial profile come 2022.

What's in store for Celestica stock?

Celestica stock has done quite well, aligning with estimates made by analysts in the last four quarters. In July, this company recorded EPS of \$0.30 versus a consensus estimate of \$0.25. Thus, the company has continued to show outperformance where it really matters — the bottom line.

On the top line, Celestica hasn't necessarily done as well. The company's revenues actually shrank by a small margin. That said, the booming margins of this company is what many investors are focusing on right now.

While various analysts have Celestica stock as a hold, there's reason to believe cash flow and EPS growth could propel this stock higher over the medium term. Indeed, given the supply chain constraints of the market right now, Celestica looks well positioned in this environment.

Celestica stock has managed to outperform of late, largely due to the company's recent acquisitions. Whether this momentum continues remains to be seen. However, this stock provides an intriguing risk/reward tradeoff right now for investors looking for a supply chain play.

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