



This 1 Canadian Stock Has Turned \$1,000 Into \$4,340 in a Year

Description

The year 2021 is proving to be great for [Canadian stock investors](#). The main Canadian market index has already inched up by nearly 23% this year so far to a record level. While these market gains look impressive, they are not even close to the exceptionally good positive returns that some undervalued stocks have yielded this year. In this article, I'll highlight one such **TSX** stock that has staged a massive rally in the last year, which I expect to continue in the next year as well.

Bombardier stock's outstanding returns

Prior to the ongoing quarter, **Bombardier's** ([TSX:BBD.B](#)) stock traded on a strong bullish note for four quarters in a row. Despite the ongoing correction in its stock, it was trading at \$1.78 per share at the time of writing — with about 334% positive returns in the last year.

It implies that if you'd invested \$1,000 in Bombardier stock exactly a year ago, it would have turned into \$4,340 by now. By comparison, if you'd invested \$1,000 in the TSX Composite benchmark a year ago, your invested money would have grown into only around \$1,230 by now.

What's driving this Canadian stock higher?

If you look at Bombardier's recent financial trends, you likely won't find its revenue growth nor its earnings growth impressive at first. In fact, the business jet maker reported an adjusted net loss of slightly more than \$100 million in the latest quarter. Nonetheless, this quarterly loss was massively lower than its quarterly adjusted net loss of around \$144 million in the previous quarter and loss of \$474 million a year ago.

Moreover, Bombardier has consistently been beating Street analysts' revenue and earnings estimates for the last three quarters in a row. Apart from these factors, the company's rising business aircraft sales, improving adjusted EBITDA, and strengthening free cash flow could be the main reasons fueling its massive stock rally in the last year.

Why its stock could continue to soar

After facing several challenges during the COVID phase, the business jet industry has seen significant improvements in demand and market conditions lately. This has helped Bombardier post stronger free cash flows and improve its balance sheet. According to the Canadian aircraft maker's data, industry deliveries rose by about 22% in this year's third quarter.

In addition, some learning curve improvements have helped Bombardier expand its gross margin by 3.9% in the first three quarters of 2021. In October, the company [said](#) that its flight testing and certification activities for its recently launched Challenger 3500 aircraft are progressing well on time. With this, this business jet is likely to enter into service in the second half of 2022.

The ongoing strong demand momentum and an expected rise in its new aircraft deliveries could keep the overall positive momentum in Bombardier stock going. That's one of the key reasons why this Canadian stock still looks very attractive, despite its massive gains in the last year — especially after going through a sharp correction in the ongoing quarter. Quarter to date, its stock is trading with nearly 18% losses.

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