



Why Bombardier Stock Has Rallied 53% in August

Description

What happened?

Shares of **Bombardier** ([TSX:BBD.B](#)) have consistently been trading on a positive note for the last four weeks. During this period, they've gone up by 69.4%, outperforming the broader market by a huge margin. Bombardier stock soared 13.6% last week to settle at \$32.67 per share, extending its August month gains to nearly 53%. By comparison, the **TSX Composite Index** has risen by only 2.5% this month.

So what?

The recent big rally in Bombardier stock could be attributed to its improving [fundamental](#) outlook and the broader market recovery amid gradually easing fears of a recession.

On August 4, the Canadian business jet manufacturer announced its second-quarter results. Its total revenue for the quarter rose by 2.2% a YoY (year over year) to US\$1.6 billion with the help of 28 aircraft deliveries. This total revenue figure also included US\$359 million in aftermarket revenue, which jumped by about 22% YoY, as the aircraft maker continues to expand its services infrastructure. During the quarter, Bombardier's adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization) increased by 40.6% from a year ago to US\$201 million — slightly exceeding analysts' estimates.

Moreover, the company raised its full-year cash flow guidance during its second-quarter earnings event, [citing](#) strong working capital performance and higher interest cost savings from accelerated deleveraging. It now expects its 2022 free cash flow to be over US\$515 million against its original guidance of more than US\$50 million. This guidance upgrade could be the primary reason that has helped Bombardier regain investors' confidence and drive a sharp rally in its stock.

Now what?

Last week, Bombardier announced the sale of its Challenger 3500 jet to the Italy-headquartered Air Corporate SRL for charter services in Europe. All these positive factors have encouraged several notable Street analysts, including from Cowen and Company, **Royal Bank of Canada**, **Canadian Imperial Bank of Commerce**, **National Bank of Canada**, and TD Securities, to raise their target prices on Bombardier stock in the last month.

The recent improvements in Bombardier's fundamentals with its focus on expanding its services infrastructure and growing order book are clearly raising its long-term financial growth outlook. Given that, its stock may continue to soar in the coming months.

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