



The Ultimate Growth Stock to Buy With \$500 Right Now

Description

2022 was the year of [energy stocks](#), while all other growth stocks, especially tech stocks, descended. One stock that surprised the market was the business jet maker **Bombardier** ([TSX:BBD.B](#)). Its stock price surged 180% after the company did a reverse [stock split](#) (25:1) in July to maintain its position on the **TSX Composite Index**.

Initially, the stock fell 40% immediately after the split as many investors feared the survival of debt-laden Bombardier in a rising interest rate economy. But I have been bullish on the jet maker since it sold off its train business to Alstom in January 2021, and I still am. Here's why.

This growth stock is the turnaround story of the decade

The turnaround point for Bombardier came when it got a new CEO, Éric Martel, in March 2020. The company's priority was to reduce debt and give it the financial flexibility to grow its business and improve cash flows. In the last two years, Bombardier sold its train-making business and used the proceeds to reduce its debt by US\$3 billion, giving itself freedom from debt obligations till 2023. The company organically grew its free cash flow and used the money to repay another US\$873 million, reducing its 2024 debt obligation.

For a turnaround stock like Bombardier that rose from multi-year losses to profits, the important thing is management's execution of its long-term plan. In its [2022 Investor Day](#) in February, Bombardier stated its 2025 objective to achieve US\$7.5 billion in revenue and US\$1.25 billion in EBITDA (20% of its revenue). It plans to achieve this target by increasing the share of aftermarket service from 20% to 27% and reducing the production cost of its flagship aircraft, Global 7500.

Bombardier is lagging behind its 2022 revenue target of \$6.5 billion due to supply chain constraints. Thus, its inventory increased to \$3.8 billion at the end of September (\$3.24 billion in December 2021). However, a 20% year-over-year increase in aftermarket revenue offset declines in aircraft sales. However, the company is on track to deliver more than 120 aircraft by the end of 2022.

Behind Bombardier's 180% stock price rally

If revenue was flat in the third quarter, what pushed Bombardier stock up 180%? In the first nine months of 2022, the business jet maker delivered 74 aircraft units. To meet its 120-plus delivery target, it has to deliver more than 46 aircraft units in the fourth quarter, which is 50% more than its third-quarter deliveries of 25 aircraft. Of the 180% stock price rally, 110% rally came in the fourth quarter, hinting at strong earnings expectations for the fourth quarter.

Moreover, Bombardier has already exceeded its \$250 million interest cost savings target for 2025 by reducing its interest expense by \$290 million through accelerated deleveraging. At a time when rising interest rates are increasing the interest expense of several companies with high leverage, Bombardier is reducing its interest expense. That bodes well with investors as the company can sail through the 2023 recession without worrying about debt obligation.

Moreover, the company has a strong order backlog of \$15 billion, which will keep it busy throughout the recession.

Is there more growth for Bombardier stock?

Bombardier stock is trading near the overbought category with a 14-day relative strength index (RSI) of 71. The RSI measures the momentum of the stock price to determine if the stock is overbought or oversold. The stock is a buy even at the current 52-week high amid strong air travel demand and growing aircraft orders.

The thing with turnaround stocks is they grow at exorbitant levels, with extreme dips in the short term as they are still feared by investors. While Bombardier is a stock worth buying on the dip to enhance your capital appreciation, you can buy it even at the current price. In Bombardier's ongoing turnaround story in the previous two years, the stock constantly beat its 52-week high and reached its pre-pandemic level.

Bombardier stock has already grown fourfold in the last two years. If the company stays on track to achieve its 2025 target, its stock price could triple in three years.

Investing tip

Bombardier is a high-risk stock. Thus, keep your portfolio exposure limited to the amount you can risk losing. Maintain a significant portion of your portfolio in [large-cap stocks](#) and diversify it across sectors.

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Date

2025/08/12

Date Created

2022/12/27

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