



Bombardier Stock: Here's What's Coming in 2023

Description

Bombardier ([TSX:BBD.B](#)) continues to soar in January 2023 after delivering outstanding 336% positive returns to investors in the last two years. Shares of the Canadian business jet maker are currently trading at \$62.29 per share with 19.2% month-to-date gains, taking its [market cap](#) to above \$6 billion. By comparison, the **TSX Composite** has inched up by 5.5% this year.

But can Bombardier stock continue to surge, despite the ongoing macroeconomic uncertainties? Before I discuss that, let me quickly highlight some key reasons for its spectacular rally in the last couple of years.

Bombardier's improving fundamental outlook

Bombardier's consistently improving financial position and its [fundamental](#) outlook could be the main reasons for sharp gains in its share prices in the last two years. Its business transformation started in 2015 when the Canadian firm laid out a five-year turnaround plan with performance-oriented goals to improve its cash generation and cut unnecessary costs.

In the next few years, Bombardier planned and executed its exit from all other businesses, like the manufacturing of trains, commercial jets, et cetera, to increase its focus on business jet manufacturing. With the help of these steps, the company managed to reposition itself as a pure-play business aviation firm in 2020, despite the global pandemic-driven operational challenges.

In 2021, Bombardier gave a major update to its Challenger 350 platform to launch the Challenger 3500 aircraft, which it [claimed](#) to be "the most sustainably designed business jet in its class." Its years of strategic planning, repositioning, and new growth-oriented initiatives finally helped the company regain investors' confidence and triggered a sharp rally in Bombardier stock that year.

The Canadian business jet company, just like most other businesses, faced macroeconomic challenges like high inflationary pressures and high labour costs in 2022. Nonetheless, its continued focus on reducing debt and improving profitability and free cash flow helped its stock soar last year, despite the broader market weakness.

What to expect from Bombardier stock in 2023

Bombardier is continuing to give its investors more reasons to cheer in 2023. On January 17, the Canadian business aviation firm [released](#) its preliminary full-year 2022 financial results ahead of its final results scheduled to be released on February 9. The company now expects its full-year revenue to be around \$6.9 billion and its adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization) to be close to \$930 million with the help of 123 aircraft deliveries during the year. These financial figures are better than its updated 2022 guidance of more than \$6.5 billion in revenue, over \$825 million in adjusted EBITDA with more than 120 aircraft deliveries.

In the last few quarters, Bombardier's backlog continued to increase with strong order activity, which clearly reflected strong demand for its business aircraft. Notably, its backlog increased to \$15 billion at the end of the September 2022 quarter, reflecting a sequential increase of \$300 million.

While consistent inflationary pressures and the possibility of a moderate recession in the short term could keep Bombardier stock volatile in 2023, it might not significantly affect its long-term growth outlook. Given its consistently growing backlog, ability to increase production further, and consistently improving financial performance and balance sheet, I find Bombardier a very attractive Canadian stock to buy in 2023 to hold for the long term.

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