



Could Bombardier Stock Be a Big Winner in 2023?

Description

If you have not yet added **Bombardier** ([TSX:BBD.B](#)) to your Tax-Free Savings Account ([TFSA](#)), you are missing an opportunity to grow your money by strong double digits. It is hard to believe that the plane maker, which struggled to stay in the [TSX Composite Index](#) since early last year, outperformed the index. But that is the alpha of turnaround stocks. They might surprise you when you least expect it. The stock is currently trading above \$60, near its 52-week high. Could it grow further and be a big winner in 2023?

The bears of Bombardier

In the first half of 2022, Bombardier announced a 25:1 reverse stock split to stay in the TSX Composite Index. Initially, the stock fell after the split, as the company struggled to meet its 2022 revenue target due to supply chain constraints. The company kept reiterating that it would meet its 120-plus aircraft delivery target in 2022, but only delivered 74 aircraft till September.

A significant number of aircraft were lying in the inventory. Moreover, macroeconomic weakness, inflation, and rising interest rates affected many capital-intensive, high-leverage businesses. And Bombardier had spent years burdened by debt that was too large for it to handle. Investors remained bearish on the business jet maker over concerns that its turnaround story might fall apart in a difficult business environment.

The bulls of Bombardier

Upbeat revenue

Bombardier turned the tables in its favour. As the supply constraints eased towards year-end, it delivered 49 aircraft, almost double its third-quarter deliveries of 25 units. The company unveiled a bullish [preliminary](#) financial result for 2022. It expects to beat its revenue guidance significantly to US\$6.9 billion. With an order backlog of US\$14.8 billion, Bombardier looks set to achieve even its 2025 revenue target of US\$7.5 billion.

Soaring profits

The bulls in the top line trickled down to adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization). Bombardier expects to surpass its US\$825 million guidance and report a 2022 adjusted EBITDA of US\$930 million — 13.5% of the revenue. The company is improving its margins by reducing interest expenses and improving production margins on Global 7500.

Moreover, Bombardier is increasing its aftermarket revenue to earn stable cash flows. The execution of the plan is going well. The company expects to beat its free cash flow guidance and report a figure of US\$735 million.

Reducing debt

Bombardier is sticking to its priorities to use the cash flow to offload debt. That explains why it increased its tender offer to repay some of 2025 debt from \$104 million to \$354 million. Bombardier has already repaid its entire 2023 debt and significantly reduced its 2024 debt. Its move to repay 2025 debt hints at two-year financial flexibility for the business jet maker.

Could Bombardier stock be a big winner in 2023?

The bulls are overpowering the bears. Bombardier's strong execution of its turnaround plan has enhanced its [fundamentals](#) and improved its balance sheet. Rising inflation and a recessionary environment did not weaken orders for business jets.

At a time when rising interest rates are reducing profits of utility and real estate stocks, Bombardier is reducing its interest expense and increasing profitability. Bombardier stock has surged 150% since October 2022. There is room for more growth for this turnaround stock.

However, do not invest too much in this stock. Keep your portfolio well diversified by adding some dividends and resilient stocks.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:BBD.B (Bombardier)

PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin
4. Msn
5. Newscred
6. Quote Media
7. Sharewise
8. Smart News
9. Yahoo CA

PP NOTIFY USER

1. kduncombe
2. pujatayal

Category

1. Investing

Date

2025/06/27

Date Created

2023/01/28

Author

pujatayal

default watermark

default watermark