



## Is Bombardier Stock a Good Investment Today?

### Description

Not too long ago, **Bombardier** ([TSX:BBD.B](#)) seemed pretty gloomy with its poor operational and financial performance. However, the jet maker is seeing a strong recovery on all fronts thanks to its new strategic direction. Since mid-2022, the stock has jumped a staggering 215%, implying investors' confidence in its turnaround. Moreover, its recent earnings and upbeat guidance will likely keep the momentum going.

### Bombardier and its epic turnaround

By focusing on passenger jets and trains in its portfolio, Bombardier has made its product range leaner along the way and is now a pure-play private jet manufacturer. The pandemic and ensuing movement restrictions played out well for the company as demand for private jets zoomed. A visible recovery came last year when it sold 123 aircraft, much higher than guidance.

The company reported total revenues of \$6.9 billion last year, representing decent 14% year-over-year growth. This topline growth was quite noteworthy as the company saw flattish or declining revenue growth in the earlier five-year period. Bombardier reported an increase in its backlog of \$14.8 billion at the end of 2022, indicating steady demand and strong order intake.

Along with operational growth, there has been an improvement in its financial position as well. Management aims to strengthen the company's balance sheet, and thus is focused on deleveraging.

In 2022, Bombardier repaid \$1.1 billion of debt, which will save \$80 million annually in interest expenses. Despite these efforts, it has over \$5 billion in net debt and a leverage ratio of over 8x. However, its growing EBITDA (earnings before interest, tax, depreciation, and amortization) and debt repayments could improve the balance sheet position in coming months.

### Bombardier 2023 guidance

For 2023, Bombardier expects to deliver more than 138 aircraft, 15 more than last year. The backlog

and strong demand will likely help achieve that number. However, a potential economic downturn could hurt demand as the private jet market is susceptible to economic cycles. How it plays out in the next few quarterly performances will be important to see.

Bombardier management forecasts revenues of \$7.6 billion for 2023, implying 10% year-over-year growth. Healthy margins will likely continue this year as well. Adjusted EBITDA for 2023 will be around \$1.1 billion, 21% year-over-year growth. Notably, management expects its profitability growth to surpass revenue growth due to margin improvement.

Its revenue visibility and expanding margins, along with declining debt, could create handsome [shareholder value](#).

## Valuation

Bombardier stock is currently trading at an EV (enterprise value)-to-EBITDA valuation of 12x and certainly does not look cheap. In comparison, its five-year historical average [valuation](#) is around 9x. The improved growth outlook has already been priced into the stock. If it sees numbers superior to the guidance, the stock could turn higher this year.

Bombardier's bleak outlook seems behind us. But that does not make it a risk-free bet. Turnaround stories are almost always risky, and we might see large swings along the way.

Investors can get more clarity on its operational and financial growth on its Investor Day on March 23, 2023. A mild recession and continued growth momentum could keep BBD.B stock strong going forward. Its strengthening balance sheet and improving profitability make it an appealing name, despite the stock's overvaluation.

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