



\$1,000 Invested in Bombardier Stock 5 Years Back Would Be Worth This Much Today!

Description

One of the most popular [stocks on the TSX](#) is **Bombardier** ([TSX:BBD.B](#)), a company that operates in the aerospace manufacturing space. Valued at a [market cap](#) of \$6 billion, Bombardier stock has gained close to 60% in the last 12 months, crushing the TSX index by a wide margin. In fact, since July 2020, BBD stock has surged by a monstrous 500%.

But while Bombardier stock has delivered staggering returns in the last two and a half years, it has underperformed the TSX if you widen the horizon. For example, in the last five years, BBD stock is down 30% and has declined by 38% since February 2013.

So, a \$1,000 investment in BBD stock five years back would be worth \$688 today. Comparatively, a similar investment in the TSX would be worth close to \$1,600.

Investing in the stock market is a tricky proposition, especially if you are buying shares of individual companies. It's imperative to analyze the quantitative and qualitative factors surrounding the company, which may require a ton of expertise. Further, most of the stocks, including Bombardier, struggle to outpace the broader market over time, thereby burning investor wealth.

Keeping this in mind, let's see if Bombardier can continue to move higher in 2023 and beyond.

Is BBD stock a buy or a sell?

Bombardier has a fleet of 5,000 aircraft in service with corporates, charters, governments, and high net-worth individuals. Three years back, the company was grappling with falling sales and negative profit margins. Its revenue fell from US\$15.8 billion in 2019 to US\$6 billion in 2021. Its weak financials also led credit rating agencies to lower their outlook on Bombardier.

In 2020, Bombardier exited several businesses to focus on its business jet vertical. This pivot allowed the company to shore up its balance sheet by lowering debt to US\$6.4 billion in 2022, down from over US\$10 billion in mid-2020.

After a decline in sales between 2020 and 2021, Bombardier reported a 14% increase in revenue in 2022. Analysts tracking the stock expect sales to rise by 12.1% to \$10.5 billion in 2023 and by 4% to \$10.9 billion in 2024. Comparatively, its adjusted earnings are forecast to expand to \$5 per share in 2024 from \$1 per share in 2022.

So, BBD stock is priced at 0.65 times forward sales and 25 times forward earnings, which is not too expensive considering its growth estimates. Analysts, in fact, expect earnings to grow by 173% annually in the next five years.

Bombardier ended 2022 with an order backlog of US\$14.8 billion, providing investors with enough revenue visibility. It also delivered 123 aircraft in 2022 as lockdown rules were relaxed globally.

Bombardier is deleveraging its balance sheet

Bombardier is expanding its global services network to capture a greater share of the market where it operates, providing shareholders with regional diversification. The company also aims to deleverage its balance sheet significantly by 2025 and is targeting a net-debt-to-EBITDA ratio of 3 times while reducing annual interest expense by US\$250 million.

Since December 2020, it has reduced long-term debt by US\$4 billion, taking its gross debt to US\$6 billion in 2022.

Bombardier is a company that has turned around its business quite remarkably. BDB.B stock is currently trading at a discount of 10% compared to consensus price target estimates.

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