



Will Bombardier's Stock Price Keep Soaring in 2023?

Description

Bombardier ([TSX:BBD.B](#)) stock continues to rally in 2023. After delivering a solid 336% positive return in the last two years, the Canadian business jet manufacturer's stock currently trades with 22.8% year-to-date gains at \$64.17 per share in 2023, outperforming the [Canadian stock market](#). By comparison, the **TSX Composite Index** has seen 5.8% gains this year so far.

Before we discuss whether Bombardier's stock could keep soaring in 2023, let's take a closer look at some key [fundamental](#) factors behind its surge in recent years.

What drove Bombardier stock up in recent years?

To find out why Bombardier stock has rallied sharply in recent years, we must first understand the key changes in its business strategy during this period. In 2015, the Dorval-headquartered company launched a five-year turnaround plan to de-risk its business and boost its earnings-growth potential with a focus on reducing costs and improving productivity. In the following years, the company announced its exit from the commercial aerospace and rail businesses to mainly focus on business jet manufacturing.

Bombardier faced massive COVID-19-driven operational challenges in 2020. As a result, its stock lost more than 75% of its value that year. Although these challenges continued for the aerospace business the next year, the demand for its business jet surprisingly showcased strength in 2021. In September 2021, Bombardier provided a major update to its extremely popular Challenger 350 platform by unveiling the Challenger 3500 aircraft, which largely received a positive response from individual customers as well as fleet operators. These positive developments triggered a big rally in Bombardier's share prices, which jumped 250% in 2021 from \$12 to \$42 per share.

Besides these improvements in its fundamental outlook, Bombardier's continued to make progress in deleveraging while maintaining the pace of its aircraft deliveries. This is one of the key reasons why its share price has been rallying lately.

Can it continue soaring in 2023?

While Bombardier stock has already surged by nearly 23% in 2023, it could just be the start of a spectacular long-term rally. Last year, the business jet manufacturer [delivered](#) 123 aircraft, pushing its revenue up by 14% year over year to US\$6.9 billion. Despite macroeconomic uncertainties, it posted a surprise adjusted net profit of US\$0.74 per share in 2022 against Street analysts' expectation of a loss of US\$0.64 per share.

Bombardier now estimates to deliver more than 138 aircraft in 2023. It has guided its revenue for the year to be over US\$7.6 billion, reflecting a solid 10% growth from a year ago, despite continued worries about a looming recession, labour shortages, and inflationary pressures. Moreover, the business jet maker estimates its 2023 adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization) to be above US\$1.12 billion against its adjusted EBITDA of US\$930 million in 2022.

In the last couple of years, the company has expanded its service centre network equipped with skilled technicians, which it expects to be a key driver for its business growth in the ongoing year. Given its solid financial growth outlook, focus on deleveraging, and strong demand for its aircraft, I expect Bombardier stock to keep soaring in 2023 to outperform the broader market by a wide margin.

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