



## New Flyer Industries Inc. Still Has Gas in the Tank

### Description

**New Flyer Industries Inc.** ([TSX:NFI](#)) has been a public company since its August 2005 IPO at \$10. Some good things and bad things happened along the way to its current \$3.4 billion market cap.

It was taken public by its private-equity owners — New York-based Harvest Partners and Lightyear Capital — which bought New Flyer from another private-equity company in December 2003.

At the time of its IPO, its private-equity owners held 60% of the stock. They got out in September 2008. A few months later, current CEO Paul Soubry took over, and New Flyer hasn't looked back.

In fact, Soubry has done such a good job at New Flyer, the *National Post* named Soubry CEO of the Year in 2016.

As long as Soubry is at the helm, New Flyer shareholders can be confident the company is being well run.

### New Flyer is on a roll

New Flyer's stock has been on a huge run the past five years, delivering to shareholders an annual total return of 56.3%, better than any index could possibly generate. Take that, index investors.

Now trading within 5% of its all-time high of \$57.70, us media types are starting to question whether its valuation has gotten ahead of itself.

Fool.ca contributor Karen Thomas [asked](#) that very question back in April. Ultimately, she came to the conclusion that while New Flyer might experience a slight correction, its valuation wasn't unreasonable.

It's up 11.4% in the two months since and 36.1% year to date. Still hotter than a pistol, investors likely are asking themselves the same questions about New Flyer's valuation, etc., as they did back in April.

### The number that counts

Thomas's April article talked about the company's slowing growth affecting its future valuation. She has

a point. However, if you look past the usual financial metrics like the P/E ratio, you'll see that it's still a very reasonably priced stock. Here's why.

It's a little something called "cash return," defined as free cash flow plus net interest expense divided into enterprise value, which itself is defined as market cap plus long-term debt less cash.

The cash return tells a better story than the P/E ratio.

New Flyer's current cash return is 5.3%. Go back six years to 2010, and you get a cash return of approximately 7%.

While higher, the company's free cash flow has tripled in those six years, while revenues have more than doubled. And, equally as important, profits have increased dramatically.

Today, you're getting almost the same deal for a far superior company, both financially and operationally, making the extra 170 basis points more than worth it.

In my opinion, this tells me New Flyer Industries still has plenty of gas in the tank.

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. TSX:NFI (NFI Group)

## PARTNER-FEEDS

1. Msn
2. Newscred
3. Yahoo CA

## Category

1. Investing

## Date

2025/08/25

## Date Created

2017/06/15

## Author

washworth

default watermark