



Why Element Fleet Management Corp. Is Down Over 32%

Description

What?

Fleet management company **Element Fleet Management Corp.** ([TSX:EFN](#)) is down over 32% as of 12:20 P.M. EST today in response to a press release late Monday in which it provided an update regarding its strategic priorities, announced the retirement of its CEO, and provided its financial outlook.

So what?

It seems as if Element stuffed as much information into one press release as it possibly could, so let's go over each piece one by one.

First, the company provided an update on its strategic priorities, in which it stated that it completed its review and its "broad spectrum of alternatives," and concluded that "the best way to create long-term value for all stakeholders is to continue to execute on its strategy and remain focused on its customers, efficiency, and the effectiveness of its operations."

Second, Element announced that after over five years with the company, its CEO and director Bradley Nullmeyer will be retiring from his positions, effective immediately. The company's board of directors stated that it is conducting a search for its new CEO, both internally and externally, and that its current president and chief operating officer Dan Jauernig will be its interim CEO.

Third, the company provided its financial outlook, which included the expectation for "integration challenges" to lead to core fleet adjusted operating income being down 3% to 5% in 2018, but it added that it "remains confident in mid- and long-term core fleet adjusted operating income growth rate of 7% to 9% in 2020 and beyond."

Now what?

Needless to say, investors were disappointed in this release, because I think they were hoping for the strategic review to lead to a sale of the company, and the negativity piled on when it announced the leadership change and provided its dismal outlook; that being said, I think the weakness in its stock is

warranted, but I also think it's a bit overdone at over 30%.

Element's stock now trades at [more attractive valuations](#), including a mere 6.1 times fiscal 2018's estimated earnings per share of \$0.88, which is very inexpensive given its [recent growth rates](#), and it has the added benefit of a juicy 5.6% yield; with these factors in mind, I think Foolish investors who are okay with a little risk should take a closer look and consider using the steep sell-off in Element Fleet Management to begin scaling in to long-term positions.

CATEGORY

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