Forget Tesla: This Stock Could Be a Hotter Buy!

Description

Electric vehicles are growing in popularity around the world, and while **Tesla** might be the most popular option, there is another underdog that investors should consider. **NFI Group** (TSX:NFI) is in the business of making electric vehicles as well, and its focus on electric buses might be setting the stock up for some real significant growth in the years ahead.

The demand for buses has not been as prevalent as it has been for cars. And with congestion in big cities around the world only getting worse, you can be sure that there is going to be a need for buses as roads are already crowded with cars.

Clean Energy Canada recently came out with a report that showed that cities, by and large, have been slow to move on getting electric buses. While China already has nearly all of the electric buses in the world, Vancouver is aiming for 2050 when it will have a renewable fleet ready to go. The big drawback today is that electric buses can cost anywhere from two to four times the amount that diesel buses cost, but those costs will come down, and by 2030 they are expected to be the same. The cost of maintaining electric buses will also be a lot cheaper compared to diesel-powered ones.

As costs come down, you can bet that demand will certainly grow higher as the incentive to buy diesels will begin to fade.

NFI has been growing and still has a long way to go

Since 2014, NFI's revenues have increased by 74%, for a compounded annual growth rate of 14.8%. And although we've seen that rate of growth slow down in recent years, as it hasn't gotten a boost from acquisitions, the hope is really for what's ahead. With demand still relatively soft for electric buses, NFI is still nowhere near peaking, and that makes the stock a pick for the longer term rather than the short term.

It's also important to note that as it has been growing, NFI has done so profitably. Over the past three years, the company has averaged a solid profit margin of over 6.6%. And strong free cash flow in each of the past five years means that NFI's operations will help fund its future growth.

Bottom line

NFI stock has declined by nearly 50% in just the past year, and it's trading at lows not seen since 2016. With a solid dividend of over 5% per year, there are definitely many reasons to consider buying NFI today. The stock is due for a recovery and could be a very enticing for investors as it offers growth, dividends, and value.

Investing in buses is just not as exciting as it is to invest in shiny Teslas that have many attractive features to lure consumers and investors. However, that also makes NFI a much better buy today, as it doesn't have a lot of hype driving the stock to astronomical levels, making the share price much more reasonable and more likely produce strong returns in the future.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:NFI (NFI Group)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Tags

1. Editor's Choice

Date
2025/07/05
Date Created
2019/03/25
Author
djagielski