



## Why NFI Group (TSX:NFI) Stock Fell 21% in July

### Description

**NFI Group** ([TSX:NFI](#)) is one of the world's leading independent bus manufacturers. Up until 2018, NFI's stock was on quite the roll, as public transportation agencies around the world couldn't get enough of its buses and motor coaches.

And then the wheels fell off.

The U.S. trade war with China didn't help, but it was the company's fiscal 2019 guidance it released in mid-July that did the most damage, sending NFI stock down 21% in just half a month's action.

The company's July 16th update to its Q2 2019 production numbers showed a significant decline in deliveries, orders, and backlogs.

In the quarter, NFI delivered 1,029 equivalent units — 130 lower than a year earlier. It also decreased its delivery guidance for fiscal 2019 to 4,260 equivalent units — 150, or 3.4%, lower than its previous guidance.

As a result of NFI's revisions to its Q2 and fiscal 2019 output, **CIBC** analyst Kevin Chiang lowered his 12-month target price by \$4 to \$41. Chiang initially believed that NFI's business would improve in the second half of the year, but it now appears that those improvements won't come until the first six months of 2020.

The biggest concern was the number of new orders over the past 12 months through the end of the second quarter. In Q2 2018, new orders for the latest 12 months were 6,303. In Q2 2019, they're expected to drop by 52% to 2,997. Also, its backlog in Q2 2019, is expected to drop by 591 to 10,587 equivalent units.

While management generally has a good reputation, investors will want to see an improvement in the deliveries, new orders, and backlog before jumping back on the bus.

If you can afford to hold NFI stock through the next two quarterly reports, which are expected to show continued weakness, the current yield is attractive at 6.1%.

However, you can expect a decent amount of volatility in its stock for the remainder of 2019.

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1. Investing

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1. Investing

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