2 Industrial Stocks That Cut the Dividend in Q1

Description

As a group, industrial stocks were one of the few that bucked the trend and outperformed during the pandemic. Through March 31, the **S&P/TSX Capped Industrial Index** lost just 16.42% of its value. By comparison, the **S&P/TSX Composite Index** lost 21.59% in the first quarter. Despite outperforming, the sector still had some weak points.

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The economic impacts of COVID-19 mitigation efforts is having widespread impacts on cash flows. Not surprisingly, this is leading to a record pace of dividend cuts and suspensions. This is a problem as many investors rely on dividend paying companies for income.

In the first quarter, 30 **TSX**-listed companies either cut or suspended the dividend. Over the past couple of days, we took a look at the Real Estate and Consumer Discretionary sectors. Today, we look at the two industrial stocks that cut the dividend in the first quarter.

	Old	New	Percentage	Date
NFI Group (TSX:NFI)	$0.425	$0.2125	50.00%	3/23/2020
Mullen Group (TSX:MTL)	$0.05	$0.00	100.00%	3/20/2020

A Canadian Dividend Aristocrat

NFI Group (TSX:NFI) (formerly NewFlyer Industries) is a leading manufacturer of transit buses and motor coaches. The company's business model also includes aftermarket parts and services. This industrial stock is also a leading green energy company with its fleet of zero-emission lines.

Notably, NFI Group was one the first Canadian Dividend Aristocrat to cut the dividend in 2020. On March 23, it slashed the dividend by 50%, effectively putting an end to the company's five-year dividend growth streak. This industrial stock only recently joined the list, enjoying only a few months of being among the top dividend growth companies in the country.

In light of COVID-19 mitigation efforts, the company idled the majority of manufacturing plants, which meant there was nothing coming off the production line and few deliveries. Although disappointing, it was a prudent move by management.

A double impact

For its part, the **Mullen Group** (TSX:MTL) was not only impacted by COVID-19 mitigation efforts, but it also dealt with record low oil prices. Mullen Group supplies trucking and logistics services to the oil and natural gas industry. If the industry struggles, so too does Mullen Group.

According to Mullen Group Chairman and Chief Executive Officer Murray K. Mullen, these *“challenging times require bold action.”* This led to a suspension of the dividend on March 20 and is not a first for the company. This industrial stock also cut the dividend in 2014 and 2015, which coincides with the last oil bear market.

At the end of the quarter, Mullen Group was sitting on losses of approximately 55%. Although the company has since rebounded, it is still down by 26% year to date.

Are these industrial stocks a buy today?

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The long-term investment prospect for NFI Group remain intact. This is an industrial stock with a strong backlog and the demand for zero-emission buses is on the rise. Similarly, there may be an uptick in demand from municipalities given how much stimulus the Feds are pumping into the market.

As for the Mullen Group, the company’s share price has been in a downward trend since 2014. Although the industry is due for a rebound, the shift to renewables is only accelerating. This is likely to keep oil & gas prices depressed for some time.

CATEGORY

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TICKERS GLOBAL

1. TSX:MTL (Mullen Group Ltd.)
2. TSX:NFI (NFI Group)

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