This Dirt-Cheap Canadian EV Stock Is a Screaming Bargain

Description

Buying cyclical stocks at the wrong time can result in painful, devastating losses that may take many years to recover from. But catch them at the right time, during the early innings of a new expansionary market cycle, and investors could be in for a multitude of upside. Indeed, high risk equals high reward when it comes to the cyclicals.

Undoubtedly, three of the hottest places to be in the first half of 2021 have been EVs (electric vehicles), the beaten-up cyclicals, and the value trade. In this piece, we'll have a look at one Canadian stock that's all three rolled into one. Shares are dirt cheap, they're highly cyclical, and they've got profound long-term secular tailwinds common to most other EV stocks.

NFI stock: EV growth at a discount

As you may have guessed, the firm I'm talking about is **NFI Group** (TSX:NFI), a top Canadian electric bus maker that looks well-equipped to make a move back to and above its all-time highs of around $60.

Today, shares are coming off a vicious multi-year crash. From its 2018 peak to its 2020 trough, NFI stock lost well over 77% of its value before bouncing back modestly to $27 and change, where the Canadian EV stock currently sits today—down well over 53% from its peak.

While it may be too soon to tell if NFI has turned a corner over the near term, I must say that the long-term macro backdrop hasn't looked this good in a very long time. I think we're in the early-to-mid stage of this market cycle, which bodes well for super cyclicals like the big-ticket durable goods companies.

When it comes to expensive durables, buses are at or around the top of the list of things to buy ahead of an economic boom.

Whether or not the “Roaring 20s” will be as good as pundits think, NFI has many tides that could propel shares much higher over the next three years. Most notably, governments pushing to reach carbon-neutral targets are going to need to take action. To hit such ambitious goals, legacy bus fleets aregoing to need a big, green upgrade. And that’s where NFI steps in.

The company’s line of zero-emission transit buses could face a growing number of orders over the years in North America and Europe. Many folks wouldn’t view NFI as a sexy EV play. Despite trading like a value trap, the name actually stands to benefit greatly from potential government subsidies and increased pressure to go carbon neutral.

The green push could get stronger after a painfully hot summer

The effects of climate change have been very real this year. The horrific heat dome caused many heat-related deaths in Canada’s west coast, with Lytton, B.C. recently breaking Canada’s record high temperature of nearly 50ºC just days before wildfires decimated the village. The unprecedented heat could very well push the government to accelerate green initiatives further.

South of the border, U.S. President Joe Biden has been aggressive with his green push. As various other nations look to follow suit, I expect the next generation of incredibly innovative electric buses from NFI could be hitting the roads far sooner than most think.

In any case, NFI could be overwhelmed with orders as we exit the pandemic into the roaring 20s. And with that, NFI stock could be in for a massive secular and cyclical upswing.

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