Why NFI Stock Is a Screaming Buy Today

Description

The shares of **NFI Group** (TSX:NFI) have consistently been falling for the last five months in a row. The ongoing selloff in NFI stock intensified last week after the company reported much wider-than-expected losses in the fourth quarter. The Winnipeg-based electric bus manufacturer currently has a market cap of about $1.1 billion. After losing more than 13% of its value last week, this **TSX**-listed stock extended its losses by 9.3% yesterday to $13.76 per share — its lowest price level since May 2020.

Before I explain why NFI stock could still be worth buying right now, let's take a quick look at the recent trend in its financials.

NFI stock dives as Q4 results miss estimates

On March 10, NFI Group released its Q4 2021 financial results. The company's Q4 revenue fell by 2.4% YoY (year over year) to about US$695 million. While the revenue of its aftermarket segment saw 13% positive growth from a year ago, reduced production and operational efficiencies drove its manufacturing segment revenue down by nearly 5% YoY. Notably, the manufacturing segment accounted for nearly 80% of its total revenue, and the remaining came from aftermarket operations.

As a result of its lower vehicle deliveries and rising costs, NFI reported an adjusted net loss of around US$0.21 per share in the December quarter — worse than analysts' expectations of a US$0.17-per-share loss. Also, the company announced a reduction in its quarterly dividend per share to around US$0.0531. Nonetheless, it also indicated a subsequent increase in its dividends next year based on improved financial performance.

These negative factors badly hurt investors' confidence and triggered a selling spree in NFI stock. That's why it has fallen by 27.4% in March so far.

Temporary factors are hurting growth

While I wouldn’t call the recent growth trends in NFI’s financials impressive, it’s important to note that its financial performance has primarily been affected by external factors. For example, supply chain disruptions and the global pandemic-related issues have been the key reasons for the electric vehicle maker’s reduced production and operational efficiencies in the last few quarters, hurting its total revenue and earnings. Apart from these factors, the recent broader market selloff due to the ongoing Russia-Ukraine war has also pressured NFI stock. This is why the stock has seen more than 50% value erosion in the last 52 weeks.

Should you buy NFI stock today?

While these factors may continue to affect NFI stock price movement in the near term, the ongoing geopolitical uncertainties make it even more difficult to predict its turnaround. However, these temporary factors, including supply chain disruptions, are unlikely to affect the company’s long-term growth outlook. And based on its long-term growth potential, I find NFI stock undervalued at the moment.

In addition, consistently rising demand for electric vehicles and mobility solutions is likely to accelerate NFI’s financial growth further in the coming years. That’s why the recent drop could be an opportunity for long-term investors to buy this amazing Canadian electric vehicle stock cheap — especially if you want to gain from the upcoming electric vehicle revolution.

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