NFI Group Stock Fell 27% in October: Is it Time to Buy?

Description

The **S&P/TSX Composite Index** enjoyed a strong rebound in the month of October. This came after a series of brutal drops to close out the previous month. Meanwhile, United States indexes also enjoyed a return to green days. Unfortunately, **NFI Group** (TSX:NFI) was not able to celebrate with the rest of its peers last month. What was behind this drop? Is the stock worth snatching up on the dip? Let's jump in.

Why did NFI Group stock fall sharply in the month of October?

Shares of NFI Group plunged 27% in the month of October. The stock has dropped 57% in 2022 as of close on November 3. Its shares are now down 64% in the year-over-year period.

This Winnipeg-based company manufactures and sells buses in North America, the United Kingdom, Europe, Asia Pacific, and in other international locations. NFI Group has been plagued by supply shortages in an increasingly choppy economic environment. In late October, the company conceded that these shortages were starting to lead to financial losses.

Stephen King, NFI Group vice-president of Strategy and Investor Relations, said in late October that the shortage in specialty parts had made it more difficult to complete orders on time. This is doubly frustrating for the company, as it is dealing with high demand that has led to record order numbers. In some ways, this is a good problem for NFI Group to have at this stage.

Is there reason for optimism going forward?

The record order numbers reported by NFI Group mean that once the company gets its supply shortages under control, it is poised to achieve big things. King projected that the supply issues should be resolved by the back half of fiscal 2023.

This company provided preliminary third-quarter (Q3) fiscal 2022 results on October 24. It said that the disrupted supply chain had led to increased inventory of nearly completed vehicles. That has now reached over 400 units as at the end of Q3 2022. NFI Group has moved forward on an action plan to resolve these issues in the quarters to come.

EBITDA stands for earnings before interest, taxes, depreciation, and amortization. This measure aims to give a more complete picture of a company's profitability. In Q3 2022, NFI Group expects to post an adjusted EBITDA loss between $15 million and $17 million. This is due to supplier issues as well as high inflation.

However, there is reason to be excited as investors look to the future. NFI Group leadership is projecting a solid recovery in fiscal 2023. It expects to deliver improved earnings on the back of a backlog of over 4,150 units, record bid activity, better contract pricing, and higher production rates that should emerge out of an improved supplier situation.

Canadians: Should you buy NFI Group stock on the dip?

This company projects that it will achieve adjusted EBITDA between $400 million and $450 million in fiscal 2025. Canadian investors should be eager to snatch up this TSX stock on the dip right now. A Relative Strength Index (RSI) is a technical indicator that measures the price momentum of a given security. Shares of NFI Group last had an RSI of 30, which puts this stock on the edge of technically oversold territory. Now is a great time to buy this promising TSX stock.

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