



## Thinking Mining? Try Thinking Mining Equipment Instead

### Description

If you're intrigued by the sell-off that has gripped the S&P/TSX Materials space, there is a related area of the market that has also taken some lumps that you may be interested in as well.

The Industrials sector is home to several companies that provide the heavy equipment that the mining sector utilizes. Though not as directly exposed, should the commodity shakedown continue, these heavy equipment related companies could present a great way to play an eventual rebound in the space.

Please welcome....

**Caterpillar** ([NYSE:CAT](#)) – Although U.S. based, Caterpillar's operations are global and it is easily the most recognized of all mining equipment manufacturers. Caterpillar generated about one-third of its 2012 revenues from the resource industry and therefore, the company is very sensitive to developments within this space.

**Finning International** ([TSX:FTT](#)) – Sticking with the Caterpillar motif, Finning is the world's largest Caterpillar dealer. If Caterpillar makes it, Finning sells it. Finning has dealerships across Canada, the UK/Ireland, and throughout several South American countries. The company not only benefits from Caterpillar sales, but after-market (repair) work as well.

**Tormont** ([TSX:TIH](#)) – Tormont is also a Cat dealer, but a more domesticated version than Finning. Its dealerships are found in Ontario, Manitoba, Nunavut, Newfoundland, and Eastern Labrador. This geographic concentration makes Tormont slightly less vulnerable to the global mining space than its internationally expanded peer.

**Wajax** ([TSX:WJX](#)) – Another distributor of heavy equipment although this one comes with a twist. In addition to heavy equipment distribution (that doesn't include Cat) the company operates two other businesses. Distribution of industrial components like bearings, power transmission equipment, and hydraulics is business number two and distribution of diesel and natural gas engines to heavy equipment related industries is number three. The company generated 43% of 2012 revenues from the resource industry as all three are in contact with this section of the market. Wajax is strictly

Canadian.

**Ritchie Brothers** (TSX:RBA,NYSE:RBA) – The world's largest industrial auctioneer. This company has been around since 1958 and leverages a physical and online international presence to conduct unreserved auctions for heavy equipment. Equipment volume is the Ritchie Brothers game and therefore, in theory, the company should benefit regardless of the environment. In good times, operators are interested in dumping their old equipment for new and Ritchie is the beneficiary of this flood of used equipment. In bad times, operators are more interested in buying used – again, benefitting Ritchie Brothers. A great model, in theory.

### **Foolish Takeaway**

Keep your eyes open for other ways to play the resource space. All of these names offer a real business with real cash flows and a real dividend (though some are more sustainable than others) that will pay investors to wait for better times.

The S&P/TSX Composite Index is loaded with resource and financial stocks. Because of this, investors that rely on Canadian Index funds or ETFs severely lack diversification in their portfolio, opening them to undue risks. We have created a special report that outlines an easy to implement strategy and 5 Canadian stocks that reduce the risks involved with passively investing in the Canadian market. [Click here now](#) to receive “**Buy These 5 Companies Instead of Following a Flawed Piece of Advice**” – FREE!

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*Fool contributor Iain Butler is short \$21 July 2013 put options on Ritchie Brothers, short \$24 July 2013 call options on Ritchie Brothers, and owns Ritchie Brothers shares outright. The Motley Fool has no positions in the stocks mentioned above.*

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. NYSE:CAT (Caterpillar)
2. TSX:FTT (Finning International Inc.)
3. TSX:RBA (Ritchie Bros. Auctioneers)
4. TSX:TIH (Toromont Industries Ltd.)
5. TSX:WJX (Wajax Corporation)

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