



Why Linamar Corp. Shares Leaped

Description

Although we don't believe in timing the market or panicking over market movements, we do like to keep an eye on big changes — just in case they're material to our investing thesis.

What: Shares of auto parts manufacturer **Linamar Corp.** ([TSX: LNR](#)) surged 13% yesterday after its quarterly results impressed Bay Street.

So what: The stock has soared over the past year on better-than-expected growth, and today's Q1 results — operating earnings jumped 56% on a revenue increase of 23% — only reinforce that trend. In fact, Linamar's net margin during the quarter hit 7.6% — well above its target of about 5% — while total debt-to-capital improved to 28.4%, giving analysts plenty of good vibes over its competitive *and* financial position going forward.

Now what: Don't expect the operating momentum to slow anytime soon. "We continue to deliver double-digit growth top and bottom line, excellent return on equity for our shareholders, and enjoyed significant growth in content per vehicle in every region," said CEO Linda Hasenfratz. "We continue to build our launch book now north of \$3 billion in annual sales currently under launch. The market is opportunistic for continued growth and our team delivering on every count."

Of course, when you couple Linamar's still-hefty debt load with its red-hot stock price — now up about 130% over the past year — I'd hold out for a much wider margin of safety before buying into those prospects.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:LNR (Linamar Corporation)

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Date

2025/07/24

Date Created

2014/05/09

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