



Rev Your Portfolio's Engine With These Automotive Stocks

Description

Are you a gear head or a fan of the automotive sector looking to invest beyond car manufacturers? Then check out some of these automotive stock picks — a dealership, a parts manufacturer, and a leader in natural gas engines.

AutoCanada ([TSX: ACQ](#))

Our first pick is a company that has been off many people's radars up until January when its stock rocketed up to its current price of \$67.53. This is a far cry from the \$25.20 it was trading at this time last year. So where has all this growth come from?

AutoCanada has quickly grown to become Canada's second largest automotive dealership group. With the eight new dealership purchase agreements announced last month it is within striking distance of becoming the largest dealership group in Canada.

The company has been expanding faster than ever and it just released its Q1 report. Revenues came in at \$364 million, a 28% increase over last year's \$284.1 million in revenues. EBITDA came in at \$14.5 million, up 23% from last year's quarterly total of \$10.6 million. Adjusted net earnings were \$8.3 million (\$0.38 per share) up from Q1 2013, which were \$6.8 million (\$0.34 per share). While net income is modest, AutoCanada was able to increase same-store sales by 8% for new vehicle, 21% for used vehicles, and a 13% increase in parts sales and repairs.

These results have led management to raise the quarterly dividend for the 13th consecutive quarter to \$0.23 per share.

Linamar ([TSX: LNR](#))

Ontario-based auto parts manufacturer Linamar has seen its stock on the rise as it has beat earnings estimates by \$0.25 per share and predicted increased profit margins for the year. Q1 revenues leaped by 23% setting a new quarterly record of \$1.04 billion. New quarterly records were also set when it comes to net earnings, which came in at \$79.7 million or \$1.23 per share. These gains in net earnings are being helped by increased net margins of 7.6%, well above the target level of 4-6%.

Operating earnings also rose exponentially in the quarter, the industrial segment's operating earnings rose by 111% with a sales increase of 31%. Also the powertrain/driveline division saw its operating income rise 42.5% from Q1 2013, with a sales increase of 21%.

Linamar hit a new 52-week high of \$61.10 on Thursday leading analysts to adjust their average price targets to \$62.67. This is the first time in the company's history that its stock was able to surpass the \$60 mark.

Westport Innovations (TSX: WPT)([NASDAQ: WPRT](#))

This is a stock that seems to be on everyone's wish list, offering growth in a new natural gas-related industry and backing it up with OEM and manufacturer partnerships. The stock has been taken through the ringer in the six months, going from a 52-week high of \$36.57 in July to a 52-week low of \$13.67 in April.

Over a year of heavy R&D costs eroded Westport's year-end and Q1 2014 bottom line, but now with those costs behind it, and new OEM joint venture agreements signed, Westport is again well positioned for growth. The stock has already managed to climb back up to \$17.10 in the past four weeks, and this could be a redemptive year for the company's bottom line.

First-quarter revenues have been strong for the company with revenues (excluding joint ventures) rising 39% to \$41.9 million. Cummings-Westport saw a revenue increase of 79% to \$80.1 million, and Weichai-Westport saw a modest revenue gain of 7%. All of this was not enough to cancel out an R&D influenced net loss of \$23.9 million down from a \$31.8 million net loss in Q1 2013.

Westport has been bust filling its niche, becoming the first manufacture (through its partnership with Ford) to produce a natural gas vehicle that meets new California Air Resource Board certification. The F-150 with Westport's WING Power System could be a top seller for the company as California is considered the most significant natural gas vehicle markets in the U.S. The state already has an infrastructure of natural gas stations and offers government-sponsored incentives to drivers and fleet operators to make the switch.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NASDAQ:WPRT (Westport Fuel Systems Inc.)
2. TSX:ACQ (AutoCanada Inc.)
3. TSX:LNR (Linamar Corporation)

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