Rev Up Your Portfolio With These Auto Stocks

Description

Automotive and industrial dealerships offer investors a way to benefit from a wide array of different brands using a single stock. Investing in a well-rounded dealership group can also give you some insulation that you normally wouldn't achieve by picking individual manufacturers.

1. AutoCanada

For example, if you want exposure to the consumer automotive market, you could either invest in an individual manufacturer or you could bundle them together through a company like **AutoCanada** (TSX: ACQ), because it's not AutoCanada paying the bills for the latest round of **General Motors** recalls. What can I say that hasn't already been said about this inevitable leader among Canadian dealership groups? First of all, its stock price has skyrocketed, moving from $25.61 last June to a closing price Thursday of $79.68.

Despite this latest closing price, analysts believe that there is still room left for growth, as the stock has pulled back just a bit. The average price target now sits at $95.40 after the company raised its acquisition guidance by eight to 10 additional dealerships this year.

2. Cervus Equipment

Next up is **Cervus Equipment** (TSX: CVL), a company with 35 locations that is comprised of two operating segments. First is its agricultural equipment division, which is made up primarily of John Deere dealerships in B.C. and Alberta. Its agricultural division also has a 20% partnership interest in Maple Farm Equipment Partnership, which has seven John Deere dealerships in Manitoba and Saskatchewan. The company's second division is its construction and industrial equipment dealership network, which offers Bobcat, JCB, and CMI products in 21 dealerships in Canada and six in New Zealand.

The company has expanded its portfolio recently as it entered into an agreement to purchase Peterbuilt of Ontario Inc. for $25.2 million. In the deal, Cervus will be acquiring 12 dealerships that have been posting a combined average gross revenue of $157 million per year.

The stock closed Thursday at $21.67, right near its 52-week range of $19.50 to $24.50, and analysts have placed an average price target of $24.47 on it. However, this may be up in the air following the recent flooding in Saskatchewan and Manitoba, which has had a yet-to-be-determined effect on both provinces' agricultural industries.

3. Finning International

If you're in the mood for a dealership that is a little more industry-specific, look no further than **Finning International** (TSX: FTT). The company sells primarily to the construction, mining, and forestry sectors among others, and is the largest **Caterpillar** dealer in the world. The most recent quarterly report was a little mixed, with revenue rising to $1.67 billion from $1.56 billion, while net income fell to $68 million, or $0.39 per share, from $73 million, or $0.43 per share, last year.

It could be easy to write off the company due to these lower revenues, but the amount of backlogged orders should remedy most concerns. Finning was sitting on $1.3 billion of backlogged orders when it posted its first-quarter results in May. This is up from a backlog of $0.9 billion in December; it should be noted that $260 million of the backlog increase came from a single oil sands customer.

The stock closed Thursday at $30.71, just below its 52-week high of $31.77, and analysts have an average price target of $33.50 with an outperform rating.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:ACQ (AutoCanada Inc.)
2. TSX:FTT (Finning International Inc.)

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