



Is Ritchie Bros. Auctioneers the Top Mid-Cap Stock to Buy Today?

Description

Ritchie Bros. Auctioneers ([TSX:RBA](#))([NYSE:RBA](#)), the world's largest seller of used industrial equipment, announced record first-quarter earnings and revenue results after the market closed on May 7, and its stock has responded by rising over 13% in the trading sessions since. Let's take a closer look at the results to determine if the stock could continue higher from here and if we should consider initiating positions immediately.

The better-than-expected and record first-quarter results

Here's a summary of Ritchie's record first-quarter earnings results compared with what analysts had anticipated and its results in the same period a year ago. All figures are in U.S. dollars.

Metric	Reported	Expected	Year-Ago
Earnings Per Share	\$0.22	\$0.14	\$0.13
Revenue	\$115.62 million	\$106.37 million	\$98.59 million

Source: *Financial Times*

Ritchie's earnings per share increased 69.2% and its revenue increased 17.3% compared with the first quarter of fiscal 2014. The company's immense earnings-per-share growth can be attributed to its net income increasing 64.8% to a first-quarter record \$23.92 million, which was helped by its direct expenses increasing just 12.7% to \$11.61 million and its total operating expenses increasing just 5.4% to \$74.37 million.

Its very strong revenue growth can be attributed to its gross auction proceeds increasing 11.7% to a record \$955.56 million, as well as a 57 basis point improvement in its revenue rate to 12.10%.

Here's a quick breakdown of six other notable statistics from the report compared with the year-ago period:

1. Online sales increased 27% \$405.7 million

2. Operating profit increased 67.3% to \$29.64 million
3. Operation margin expanded 760 basis points to 25.6%
4. Operating free cash flow increased 62.1% to \$164.4 million
5. Return on net assets improved 350 basis points to 21.1%
6. Capex intensity improved 330 basis points to 4.9%

Ritchie also announced that it will be maintaining its quarterly dividend of \$0.14 per share, and the next payment will come on June 19 to shareholders of record at the close of business on May 29.

Should you buy shares of Ritchie Bros. Auctioneers today?

The first quarter was one for the record books for Ritchie Bros. Auctioneers, and I think the post-earnings pop in its stock is more than warranted. I also think this is only the beginning of a sustained rally higher because the stock still trades at favourable forward valuations and the company has shown a strong dedication to maximizing shareholder returns through the payment of dividends.

First, Ritchie's stock trades at 33.7 times fiscal 2015's estimated earnings per share of \$1.05, just 30.5 times fiscal 2016's estimated earnings per share of \$1.16, and only 26.2 times fiscal 2017's estimated earnings per share of \$1.35, all of which are inexpensive compared with its long-term growth rate.

I think Ritchie's stock could consistently command a fair multiple of at least 35, which would place its shares around \$36.75 by the conclusion of fiscal 2015, upwards of \$40.50 by the conclusion of fiscal 2016, and around \$47.25 by the conclusion of fiscal 2017, representing upside of more than 3%, 14%, and 33%, respectively, from today's levels.

Ritchie pays a quarterly dividend of \$0.14 per share, or \$0.56 per share annually, giving its stock a 1.6% yield at current levels. A 1.6% yield may not seem impressive at first, but it is very important to note that the company has increased its annual dividend payment for 11 consecutive years, which makes it one of the top dividend-growth plays in the market today.

With all of the information provided above in mind, I think Ritchie Bros. Auctioneers' stock represents one of the top mid-cap investment opportunities in the market today. Foolish investors should take a closer look and strongly consider beginning to scale in to positions.

CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:RBA (Ritchie Bros. Auctioneers)
2. TSX:RBA (Ritchie Bros. Auctioneers)

Category

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

Date

2025/09/29

Date Created

2015/05/21

Author

jsolitro

default watermark

default watermark