



## Linamar Corporation and Tricon Capital Group Inc. Rally Off Strong 2015 Results: Is it Time to Buy?

### Description

It's good to see companies outperforming expectations, and both **Linamar Corporation** ([TSX:LNR](#)) and **Tricon Capital Group Inc.** ([TSX:TCN](#)) shares were up yesterday as both companies reported strong results, revealing the success of their respective strategies.

First off, let's recall that both companies have seen their stocks languish in the last year. Linamar's one-year return is -28% and Tricon's is -15%. In my view, they both fell victim to the macro environment while still delivering good results. Given both companies' 2015 results, the question that investors should be asking themselves is if this the turning point for the shares and if this is a good entry point for long-term investors.

### Linamar

Linamar reported a 24% increase in fourth-quarter revenue. Revenue from the powertrain/driveline segment (which represents 88.5% of revenue) increased 25%, and the industrial segment increased 16%. Linamar's growth is largely company specific and reflects increasing market share as the light-vehicle market and the access market (Skyjack) both increased between 1% and 2%.

While Linamar's growth clearly reflects market-share gains, foreign exchange also had a positive impact on revenue. A big positive for Linamar is the fact that content per vehicle for the company increased 18% in North America, doubled in Europe, and increased 14% in Asia Pacific, which demonstrates its success in penetrating its different markets.

Margins remained strong in the quarter, coming in at 10.1% in the powertrain segment (versus 9.9% in the fourth quarter of 2014) and 14.2% versus 11.4% in the industrial segment (Skyjack).

Lastly, while the debt levels will rise due to the \$1.2 billion Montupet acquisition, the balance sheet remains healthy, and rising cash flows will help the company in its goal to reduce leverage in 2016.

### Tricon

Along with an 11% increase in adjusted EBITDA and a 22% increase in assets under management to \$2.7 billion in its private funds and advisory segment, Tricon increased its dividend by 8%, reflecting the company's confidence in future free cash flow growth.

In 2015 existing home prices in the U.S. rose again, and single-family housing starts increased 10%. Continued job growth, with more than 2.4 million jobs added in 2015, bodes well for the U.S. housing markets. And given that Tricon's investments on its balance sheet are almost exclusively in the U.S. residential real estate market, that bodes well for Tricon.

In summary, here we have two companies that have underperformed in the last year that may be at the cusp of generating healthy stock returns over the longer term due to solid fundamentals and demonstrated success in implementing their respective strategies.

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. TSX:LNR (Linamar Corporation)
2. TSX:TCN (Tricon Residential Inc. )

## Category

1. Investing

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