



Why Linamar Corporation Is an Attractive Buy

Description

Linamar Corporation ([TSX:LNR](#)) shares disappointed greatly this year, falling 26.7% year-to-date due to the fact that the company invested in the future, putting itself in a position that will benefit shareholders for years to come.

Linamar is known as a manufacturer of car parts for North American automotive brands, but an agreement with Japan's Honda worth \$200 million could be the company's first step into a global expansion. Original equipment manufacturer (OEM) outsourcing is a growing trend that manufacturers of vehicle parts such as Linamar are set to reap the rewards of for years to come.

The company recently updated its fiscal 2016 earnings to \$7.75 per share, marking a 10-cent increase compared to its previous earnings estimate of \$7.65 a share. Looking forward, Linamar also updated its expected earnings in its fiscal year 2020 to \$9.70 per share. Out of six analysts covering the stock, Linamar has a consensus rating of "Buy" with three firms rating it a "Buy" and three rating it a "hold." Additionally, it has a consensus price target of \$65.33. There are no signs of the company slowing down as it raked in \$5.2 billion in revenue last year, marking a 23% increase year over year.

Linamar continues to grow as it now has 23,000 employees helping to build parts in 56 plants as well as several research and development centres around the world. CEO Linda Hasenfratz expressed how pleased she is with the company's position and its potential, noting that it will likely be at the forefront of the OEM outsourcing business.

Customers are well compensated and motivated, reducing company costs by up to 2% per year. The company guarantees employee satisfaction with a review process that examines how effective each plant is in order to create competition within its ranks. Customer-satisfaction ratings are among the key metrics used to measure Linamar's success, and its workers ensures that these ratings are high.

Last month, Hasenfratz visited 100 high school girls in Ontario and shared the company's average salary, which comes in at \$82,000. She motivated the girls by educating them on the process of building parts, noting that workers in a variety of areas are necessary to conduct its business. Her decision to visit female youths comes from the fact that women are underrepresented in the tech world.

Hasenfratz's speech inspired attendees as 93% of girls said that they were more interested in working in the tech industry after the Linamar CEO visited.

One of the company's recent deals that is set to pay dividends in the near future is the aluminum-casting plant it built in 2015. The \$100 million investment is a response to the automotive industry's growing demand for lighter vehicles with the purpose of reducing fuel emissions. Earlier this year, Linamar was in talks with **Google** and **Apple** about the possibility of building cars for both Silicon Valley juggernauts. If these talks turn into reality, Linamar could solidify its portfolio with lucrative deals.

The combination of the company's recent moves, the motivational spirit of its hands-on CEO, the selectiveness of its hiring process, and its strong customer satisfaction ratings have Linamar positioned for a strong 2017 and beyond.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:LNR (Linamar Corporation)

Category

1. Investing

Tags

1. Editor's Choice

Date

2025/08/17

Date Created

2016/12/05

Author

karlutmohlen

default watermark

default watermark