



Element Fleet Management Corp. Is Steered in the Right Direction: Time to Buy?

Description

Element Fleet Management Corp. ([TSX:EFN](#)) is a Canadian fleet management business which provides financing and services for its commercial fleet of vehicles. Element is the largest publicly traded fleet-management company in the world with a large presence in North America as well as a growing presence Australia and New Zealand. The company offers a wide range of services, including vehicle financing, acquisition, title, licensing/registration, consulting, telematics, risk/safety, accident management, fuel, maintenance, and end of term remarketing. Shares soared 7.62% on Monday following news of insider buying activity.

Innovative management team not shying away from tech

The management team is focusing on capitalizing on opportunities in the fleet management space but isn't afraid to invest in innovative technologies to drive growth. The company has the scale to invest over \$100 million into technology, which will give a long-term boost to operational efficiency.

Technology is becoming a disruptor in many industries that you wouldn't expect. Investors can feel comfortable that the management team is thinking ahead of the game to capture market share and drive future free cash flow to support long-term growth initiatives.

Going forward, the company is expecting to steer towards a higher-margin service fee revenue, which will be obtained by an increased investment in innovative technologies and data analytics. Service revenue contributions have been trending up over the last few quarters, and it's very likely that the service segment will account for a bigger chunk of overall revenues over the next few years.

What do you get with an investment in Element?

As of June 2017, Element has approximately \$18.8 billion worth of total assets with 77% of its earning assets located in the U.S., 10% located in Canada, and the other 13% across Australia, New Zealand, and Mexico. For Canadian investors, Element is a great way to capitalize on the strengthening U.S. economy under the Trump administration as well as diversifying your geographic exposure in Australia and New Zealand without having to venture on foreign exchanges.

Element has grown by leaps and bounds through strategic acquisition over the last five years with the purchases of TLS Fleet Management, **General Electric Company** Fleet, and PHH Fleet. Earlier this year, Element migrated all of General Electric Fleet's U.S. and Canadian customers to Element's fleet-management system who are live on the company's Xcelerate client portal, which is a responsive web application which aims to optimize the performance of Element's fleet.

Element is now finished with its integration phase and focused on driving operational efficiency by finding ways to improve productivity and minimize costs.

Bottom line

Element is an intriguing growth play with an attractive 3.22% dividend yield. According to *Bloomberg*, shares of EFN have a consensus price target of \$14, which represents a whopping 50% upside from current levels.

While you should always take price targets with a grain of salt, Element has a lot of medium- to long-term catalysts that could propel its stock to such levels. If you're looking for growth and a solid dividend, then it might be a good idea to start buying shares using a dollar cost averaging strategy to build your position.

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