



Why Finning International Inc. Is up Over 5% Today

Description

Finning International Inc. ([TSX:FTT](#)), the world's largest Caterpillar dealer, announced its second-quarter earnings results and a dividend increase this morning, and its stock has responded by rallying more than 5% in early trading. Let's take a closer look at the quarterly results, the dividend hike, and the fundamentals of its stock to determine if the rally can continue and if we should consider initiating positions today.

A very strong quarter of double-digit growth

Here's a quick breakdown of eight of the most notable financial statistics from Finning's three-month period ended on June 30, 2017, compared with the same period in 2016:

Metric	Q2 2017	Q2 2016	Change
Revenue	\$1,581 million	\$1,310 million	20.7%
Gross profit	\$422 million	\$343 million	23%
Gross margin	26.7%	26.2%	50 basis points
Adjusted EBITDA	\$146 million	\$111 million	31.5%
Adjusted EBITDA margin	9.2%	8.5%	70 basis points
Adjusted EBIT	\$98 million	\$63 million	55.6%
Adjusted EBIT margin	6.2%	4.9%	130 basis points
Adjusted earnings per share (EPS)	\$0.34	\$0.20	70%

Dividend hike? Yes, please!

In the press release, Finning announced a 4.1% increase to its quarterly dividend to \$0.19 per share, and the first payment at this increased rate is payable on September 7 to shareholders of record on August 24.

What should you do now?

It was a fantastic quarter overall for Finning, and it capped off a very strong first half of the year for the company, in which its revenues increased 6.4% to \$2.98 billion and its adjusted EPS increased 59% to \$0.62. The second-quarter results also crushed the consensus estimates of analysts polled by **Thomson Reuters**, which called for adjusted EPS of \$0.28 on revenue of \$1.41 billion.

With all of this being said, I think the rally in Finning's stock is warranted, and I think it could continue higher from here for two primary reasons.

First, it's still attractively valued. Finning's stock still trades at just 22.7 times fiscal 2017's estimated EPS of \$1.22 and only 17.2 times fiscal 2018's estimated EPS of \$1.61, both of which are very inexpensive given its current earnings-growth rate and its estimated 10% long-term growth rate.

Second, it has a great dividend. Finning now pays an annual dividend of \$0.76 per share, which gives it a solid 2.75% yield. It's also very important to note that the company has raised its annual dividend payment for 15 consecutive years, and the hike it just announced has it positioned for 2017 to mark the 16th consecutive year with an increase.

With all of the information provided above in mind, I think all Foolish investors should strongly consider beginning to scale in to long-term positions in Finning International today.

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Date

2025/08/24

Date Created

2017/08/09

Author

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