Looking for a Manufacturer That Isn't Closely Tied to NAFTA? Here's 1 for You

Description

With all of the NAFTA uncertainty, many Canadian manufacturers that look good now may not stay that way if they are negatively affected by changes to the trade deal. If you don't like investing with uncertainty, you might want to look for Canadian manufacturers that don't do much of their trade with the U.S. Yes, such companies do exist.

Finning International Inc. (TSX:FTT) may be a company you've never heard of, but you will likely know its most popular brand: Caterpillar. Wherever there is a building project, chances are you'll see Caterpillar heavy equipment. Finning is the largest distributor of Caterpillar products and support services in the world. The company has been around since 1933 and has over 12,000 employees.

Unlike other Canadian manufacturers with a large North American presence, such as **Magna International Inc.**, Finning has three major geographical divisions: Canada, the U.K. and Ireland, and South America. It does not have U.S. or Mexico divisions, so Finning would largely avoid any NAFTA fallout.

Finning by the numbers

How does Finning's stock currently look? The company announced second-quarter results on August 9, which included a revenue increase of 21% from the second quarter of 2016. Earnings were reported as $0.34 per share, which beat analyst expectations of $0.28 per share. Its net profit margin is only 2.55% though, making it less effective than most in the industry at turning revenue into profit. Finning has a high trailing P/E ratio of 32.05, higher than many of its peers. So, you'll pay a premium for this stock's earnings.

Finning's return on equity is only 7.73%, but that puts it in the middle of the pack when you look at the industry. The stock is currently trading near its 52-week high of $28.33, so the stock isn't on sale. Analysts expect it to trade around the $32 mark over the next year. If they've got this one right, then there is a bit of room for growth in the near term.

The company offers a dividend if you are looking for income. Finning just increased its dividend offering to $0.76 per share annually. (The dividend is paid quarterly.) This gives the dividend a yield of

2.71%. This may not seem high, but it’s better than many of Finning’s peers, which offer yields under 2%.

Bottom line

Some of Finning’s numbers could be better, but it did have a positive second quarter and beat the Street’s earnings estimates. The lack of a sales presence in the U.S. and Mexico makes it look more attractive in these NAFTA-uncertain times. If you are looking for a manufacturing stock for your Foolish portfolio, Finning International Inc. deserves some of your attention.

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