



Why You Should Buy Ritchie Bros. Auctioneers Inc. Before the Stock Takes Off!

Description

Online consumer auction sites are popular since users can buy and sell an endless list of items, but the big-ticket items are likely to be found on industrial auction sites like **Ritchie Bros. Auctioneers Inc.** ([TSX:RBA](#))([NYSE:RBA](#)). The company is involved in selling used equipment, trucks, and many other types of industrial assets. Especially as the downturn in oil and gas continues, Ritchie Bros. might have a lot of opportunities to sell some high-quality assets from the troubled industry.

The stock presents some great opportunities going forward. I'll go over what the company has been up to, its financial performance, and why you should consider adding it to your portfolio today.

Recent developments highlight growth opportunities for the company

Earlier this year, Ritchie Bros. announced it was entering a strategic alliance with **Caterpillar Inc.** ([NYSE:CAT](#)). The company's press release stated that the auctioneer would become "Caterpillar's preferred global partner for live and online auctions for used Cat equipment." This is an excellent growth opportunity for Ritchie Bros., since Caterpillar is a significant manufacturer of equipment for multiple industries, and that is likely going to lead to a lot of equipment being sold through the industrial auctioneer.

Prior to the agreement with Caterpillar, the company announced the acquisition of IronPlanet, which is an online marketplace where equipment and assets can be sold. Ritchie Bros. plans to use this acquisition to help improve its online presence and offerings as the company plans to launch an improved portal for its customers later this year.

Financial performance

In the company's most recent quarter, it saw revenues increase 4.6% from the prior year, but impairment losses and acquisition costs led to the company's bottom line dropping by over 56%. Ritchie Bros. posted \$566 million in sales for its fiscal year 2016, which was the sixth consecutive year that the company saw its top line grow.

The company has very strong gross margins of 88%, but selling, general, and administrative expenses

have averaged about 50% of the top line.

Current stock valuation

In the trailing 12 months, the company's earnings per share have totaled \$0.46, and the stock has been trading at 80 times that amount and 4.6 times its book value. At a price of about \$37 a share, the stock is trading at a big premium for the amount of profit that the company has been able to bring in. Year to date, the share price has dropped by nearly 20%, but it has gone up more than 2% in the past month.

Bottom line

The company has some exciting growth opportunities to look forward to as it improves its online portal, and its agreement with Caterpillar will definitely bring a lot of traffic its way. In previous years, Ritchie Bros. has been able to achieve profit margins of over 20%, and if the company can achieve similar results going forward, the stock could turn into a bargain.

Ritchie Bros. is a good buy, despite the high earnings multiple that its share price currently trades at, because as the company grows its top line and is able to avoid one-time expenses, profits will improve.

CATEGORY

1. Dividend Stocks
2. Investing

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2. NYSE:RBA (Ritchie Bros. Auctioneers)
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