



Why Exco Technologies Limited Fell 6.64% on Thursday

Description

Exco Technologies Limited ([TSX:XTC](#)), one of the world's leading suppliers of innovative technologies to the die-cast, extrusion, and automotive industries, announced its fourth-quarter earnings results after the market closed on Wednesday, and its stock responded by falling 6.64% in Thursday's trading session. The stock now sits more than 25% below its 52-week high of \$12.79 reached back in March, so let's break down the quarterly results and the fundamentals of the stock to determine if now is the time to buy.

The results that ignited the sell-off

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

Metric	Q4 2017	Q4 2016	Change
Automotive Solutions sales	\$87.1 million	\$117.7 million	(26.0%)
Casting and Extrusion sales	\$44.3 million	\$45.3 million	(2.2%)
Consolidated sales	\$131.4 million	\$163.0 million	(19.4%)
Net income	\$7.5 million	\$10.5 million	(28.5%)
Adjusted net income per share (EPS)	\$0.18	\$0.25	(28.0%)
EBITDA	\$15.8 million	\$22.2 million	(28.8%)
Cash dividends paid per share	\$0.08	\$0.07	14.3%
Total assets	\$431.2 million	\$452.9 million	(4.8%)

Is now the time to buy Exco's stock?

It was a very weak quarter overall for Exco, and it posted a disappointing performance in the full year of fiscal 2017, as its sales declined 0.8% to \$584.2 million and its adjusted diluted EPS remained unchanged at \$1.03 when compared with fiscal 2016, so I think the sell-off in its stock on Thursday was warranted. That being said, I think the sell-off has led to an attractive entry point for long-term

investors for two fundamental reasons.

First, it's wildly undervalued. Exco's stock now trades at just 9.3 times fiscal 2017's adjusted EPS of \$1.03, only 8.2 times the consensus analyst estimate of \$1.17 for fiscal 2018, and a mere 7.4 times the consensus estimate of \$1.30 for fiscal 2019, all of which are very inexpensive compared with its five-year average multiple of 12.9.

Second, it has a great dividend. Exco currently pays a quarterly dividend of \$0.08 per share, representing \$0.32 per share annually, which gives it a beautiful 3.35% yield. It's also important to note that fiscal 2017 marked the eighth consecutive year in which it has raised its annual dividend payment, and [its 14.3% hike](#) in February has it on track for fiscal 2018 to mark the ninth consecutive year with an increase, making it both a high-yield and dividend-growth play.

Exco's stock has fallen just over 3.5% since I [last recommended it](#) on October 6, but I am still confident in its long-term potential, so I am re-recommending it today. Foolish investors should take a closer look and consider using the post-earnings weakness to begin scaling in to positions.

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