



Why Linamar Corporation Is Soaring Over 11%

Description

What?

Diversified global manufacturing company **Linamar Corporation** ([TSX:LNR](#)) is soaring over 11% in early trading on Friday following its announcement that it would be acquiring 100% of the outstanding equity interests of MacDon and its Group of Companies for approximately \$1.2 billion.

So what?

MacDon is one of world's leading designers and manufacturers of specialized agriculture harvesting equipment, including drapers and self-propelled windrowers, and it currently serves a global network of approximately 1,400 dealers and distributors. Linamar stated that MacDon will be combined with its existing agriculture harvesting business in Hungary to "position both business for significant growth," and this combination makes Linamar one of the world's largest agricultural equipment manufacturers.

Now what?

Linamar expects this transaction to close in the first quarter of 2018 and immediately be accretive to its earnings per share and free cash flow, even before accounting for synergies. The deal further diversifies the company away from the automotive industry, which has taken a major hit [on NAFTA concerns](#). I think these are the primary reasons why the stock has responded by soaring.

I think the stock could continue higher from here, because this acquisition is transformative for Linamar, and because its stock trades at very low valuations, including just 8.9 times fiscal 2017's estimated EPS of \$8.09 and only 8.3 times fiscal 2018's estimated EPS of \$8.68, both of which are very inexpensive compared with its five-year average multiple of 11. The company also pays a quarterly dividend of \$0.12 per share, equating to \$0.48 per share annually, which gives it a 0.7% yield, and [its 20% hike](#) in March has it positioned for 2018 to mark the second consecutive year with an annual dividend increase.

With all of the information above in mind, I think Foolish investors should consider beginning to scale in to long-term positions in Linamar over the next couple of weeks.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:LNR (Linamar Corporation)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Date

2025/07/06

Date Created

2017/12/15

Author

jsolitro

default watermark

default watermark