



Innovation Leads This Mid-Cap Stock Higher

Description

One of the big things that sets great companies apart from good companies is innovation. That and the rate at which businesses adapt to change, utilizing research and innovation to lead the way forward.

On January 15, **Linamar Corporation** ([TSX:LNR](#)), a Guelph-based mid-cap auto parts manufacturer, announced it was building an innovation and research centre in Guelph that will employ 1,500 people over the next 10 years.

The federal government's Strategic Innovation Fund will kick in a \$49 million grant to get the project off the ground, the Ontario government's Jobs and Prosperity Fund is adding \$50 million, and Linamar is covering the remainder of the project's \$600 million estimated cost.

Who said manufacturing in Ontario was dead?

Linamar is one of my favourite TSX stocks, and although it didn't make my October list of the [five best stocks](#) on the TSX, it's easily in the top 10 and could move into the top five with this commitment to innovation.

Linda Hasenfratz earns her multi-million compensation

There are very few CEOs that can match the business acumen of Linamar's chief executive. This latest move combined with the December announcement that it was acquiring Winnipeg-based MacDon Industries Ltd. for [\\$1.2 billion](#), a deal that further diversifies Linamar's agriculture business, is the kind of forward thinking that will keep the company relevant long after many other competitors wither away and die.

Consider that Linda Hasenfratz earned \$14.6 million in 2016. **Bombardier, Inc.** ([TSX:BBD.B](#)) CEO Alain Bellemare received \$12.6 million in the same period. From a revenue perspective, Hasenfratz would appear to be the one who overpaid, earning \$1 in compensation for every \$411 in revenue compared to \$1,659 in revenue for Bellemare.

However, when it comes to profits, the story changes, and as investors know, earnings typically drive

share prices higher, not sales. On that score, Hasenfratz earned \$1 in compensation for every \$116 in operating profits compared to \$30 for Bellemare.

I don't know about you, but I'd gladly take the Linamar scenario over Bombardier's every day of the week.

Innovation is key

Hasenfratz laid out the company's rationale for opening this innovation centre.

"Innovation is the single most important thing we can do in terms of product design, process design and material development to solve global problems," Hasenfratz said in a statement. "To have our government support us in that endeavour is fantastic, further cementing the fact that Canada is a great place for advanced manufacturing to thrive."

Some might consider this kind of government funding to be no different than what's happening over at Bombardier, and to an extent, they would be right.

However, while Linamar has been steadily growing the top and bottom line, Bombardier has continued to lose market share to competitors in both the aircraft and train manufacturing segments of its business.

Further, while the Hasenfratz family owns approximately 29% of the Linamar's equity, it doesn't utilize a dual-class share structure like Bombardier's founding families, which allows the Beaudoin/Bombardier clan to control the company with just 13% of the equity.

If you're going to invest in a government-funded business, Linamar runs laps around Bombardier — always has, always will.

This latest announcement demonstrates a view to the future and is just one more reason why Linamar, in my opinion, is one of the best stocks in the TSX.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:BBD.B (Bombardier)
2. TSX:LNR (Linamar Corporation)

PARTNER-FEEDS

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

Category

1. Investing

Date

2025/08/26

Date Created

2018/01/15

Author

washworth

default watermark

default watermark