



## Why Finning International Inc. Is Moving Higher Today

### Description

**Finning International Inc.** ([TSX:FTT](#)), the world's largest Caterpillar equipment dealer, released its fourth-quarter earnings results this morning, and its stock has responded by rising about 1% in early trading. Let's break down the quarterly results and the fundamentals of its stock to determine if we should be long-term buyers today.

#### A very strong quarter of double-digit growth

Here's a quick breakdown of 10 of the most notable statistics from Finning's three-month period ended December 31, 2017, compared with the same period in 2016:

Metric	Q4 2017	Q4 2016	Change
New equipment revenues	\$661 million	\$519 million	27.4%
Used equipment revenues	\$110 million	\$96 million	14.6%
Equipment rental revenues	\$60 million	\$56 million	7.1%
Product support revenues	\$901 million	\$816 million	10.4%
Total revenues	\$1,735 million	\$1,491 million	16.4%
Adjusted EBITDA	\$158 million	\$117 million	35.0%

Adjusted EBIT	\$113 million	\$70 million	61.4%
Free cash flow	\$350 million	\$113 million	209.7%
Adjusted net income	\$67 million	\$47 million	42.6%
Adjusted earnings per share (EPS)	\$0.40	\$0.28	42.9%

## What should you do now?

It was a phenomenal quarter overall for Finning, and it capped [a fantastic year](#) for the company, in which its revenue increased 11.3% to \$6.27 billion, its adjusted net income increased 55.8% to \$229 million, and its adjusted EPS increased 54.5% to \$1.36 compared with fiscal 2016. With these incredibly strong results in mind, I think the market has responded correctly by sending its stock higher, and I think it still represents a great investment opportunity for the long term for two fundamental reasons.

First, it's undervalued. Finning's stock currently trades at 25 times fiscal 2017's adjusted EPS of \$1.36 and 19.7 times the consensus analyst estimate of \$1.73 for fiscal 2018, both of which are inexpensive given its current earnings-growth rate and its estimated 10% long-term earnings-growth rate.

Second, it's a dividend aristocrat. Finning pays a quarterly dividend of \$0.19 per share, representing \$0.76 per share annually, which gives it a solid 2.2% yield. Its yield may not be the highest around, but it's very important to note that its [4.1% dividend hike](#) in August 2017 has it positioned for 2018 to mark the 17th consecutive year in which it has raised its annual dividend payment, making it one of the best dividend-growth stocks in the market today.

With all of the information provided above in mind, I think Foolish investors should strongly consider beginning to scale in to long-term positions in Finning International today.

## CATEGORY

1. Dividend Stocks
2. Investing

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**Author**

jsolitro

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