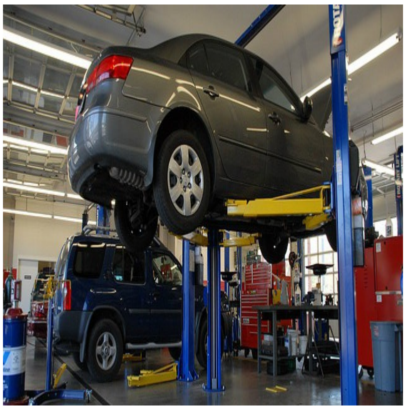

There’s No Stopping Linamar Corporation

Description

If Donald Trump thinks he’s going to hold **Linamar Corporation** (TSX:LNR) CEO Linda Hasenfratz back from building one of the world’s best auto parts manufacturers because of silly steel and aluminum tariffs, the orange-haired leader has another thing coming.

Linamar delivered record results March 7 that sent its stock higher by almost 9%, gaining back most of the ground it lost in November after a weaker-than-expected third quarter.

When its stock got whacked on the bad news, I was quick to jump to the company’s defence, suggesting that the significant one-day drop in its stock price was a buying opportunity investors would be wise not to miss.

It turns out I was right

The one number that I latched on to in the Q3 2017 report was content per vehicle. I felt that despite the 13% GAAP decrease in earnings per share in the quarter, the strong content per vehicle increases from all three of its operating regions was a good indication its business was doing just fine.

The latest numbers were a step up from the third quarter with double-digit increases from all three regions: North America was up 10%, Europe was up 12%, and Asia/Pacific was up 10.7%. Talk about a trifecta of growth. With these results, Linamar was able to deliver an annual increase in content per vehicle in all three regions, despite a slightly weaker North American market.

As a result of this success, Linamar was able to deliver fiscal 2017 revenue growth of 9% to $6.5 billion with net earnings-per-share growth of 5.2% to $549.4 million.

A thrilling end to 2017

“We are thrilled with another quarter of excellent top and bottom line growth despite soft markets driving us to another record year in both sales and earnings,” said Linamar CEO Linda Hasenfratz. “Securing a second major e-axle program win is strategically key to helping us to build strong content in electric vehicles for the future and caps off a record year overall for new business wins for us. Strong cash flow completed the trifecta of solid performance, excellent outlook, and the cash to invest in our future.”

While the Powertrain/Driveline segment accounts for 83% of the company’s annual revenue and 77% of its overall operating earnings, it was the Industrial segment that stood out in 2017 with 29% and 12% increases in annual revenue and operating earnings, respectively.

Another interesting fact from its Q4 2017 report is that its North American automotive sales increased by 4.9% in the quarter, despite an automotive market that saw a 4.7% reduction in vehicles produced. That’s a sign it’s gaining business despite the weaker North American automotive market. Add to that a 10% increase in content per vehicle to $157.58, an indication it’s taking market share, and you’re lining up for a solid 2018.

The bottom line on Linamar

There are concerns about NAFTA, tariffs, and even a global slowdown in vehicle sales. These are things that Linda Hasenfratz can’t control. What she can control is how Linamar operates its business. From where I sit, she is one of Canada’s best CEOs, continuing to grow Linamar no matter the economic environment.

Let’s also not forget that the 2017 numbers don’t have a contribution from MacDon, the Winnipeg-based manufacturer of agricultural harvesting machines it acquired for $1.2 billion on February 1. By Q2 2018, we’ll begin to see why Hasenfratz made such a transformational acquisition.

If you own Linamar stock, you’ll want to hang on to it indefinitely. If you don’t, buy it now while it’s still in double digits and over time if it drops below $65.

Except for a recession, there’s nothing stopping Linamar stock.

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