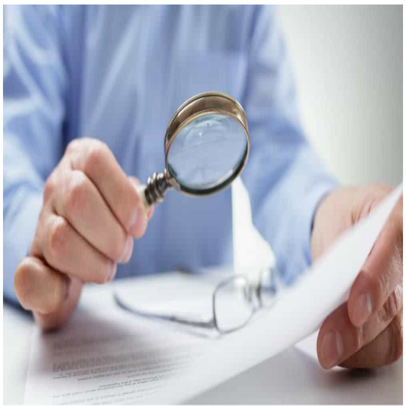

Linda Hasenfratz and Linamar Corporation (TSX:LNR) Are Dealing With a Market Sentiment Problem

Description

Women own a larger piece of the investment pie now more so than ever. There's a simple reason for this: women tend to live longer than men, giving them more time to amass their fortunes. They might also inherit estate from spouses that pass on.

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There is still a huge gap in the number of women founding new businesses. Startups are indeed male dominated. A recent report suggests gender diversity in startup is improving. Venture funding increased 60% for startups that had at least one female founder in Q1 2018 compared to the preceding quarter. Although this seems like a big jump, only 9% of venture funding currently goes to startups with women in a leading role.

While the investing-world gender gap narrows, it's worth mentioning there are great female CEOs. Linda Hasenfratz from **Linamar Corporation** (TSX:LNR) has held the top job for +15 years, boasts one of the highest salaries on the TSX, and has helped drive the Linamar stock price up over 369% during her tenure, healthily beating the TSX.

However, it hasn't been a smooth ride for Linamar shareholders. The Guelph-based company is ostensibly viewed as part of the auto sector, producing parts for cars, trucks, and trains. It also sells vehicles and technology for construction and agriculture.

There are two main factors why many analysts are bearish. One, the auto market run is getting long and tired, they argue. Two, auto and related parts are at the heart of trade tariff talks, another piece of market uncertainty.

Things are bad for shareholders at present, but not as bad as the stretch from 2015 to 2016 when the share price pulled back of 50% in a year. The current downward trend is half that level of pain.

Linamar by the numbers

In the trailing 12 months, Linamar's earnings per share (EPS) were $8.25. The sum total was a miss from the forecasted $8.42. We're not talking a major whiff here! But there are things to unpack from Q1

2018, as Will Ashworth writes.

Over long periods, Linamar tends to increase EPS by $0.96 per year. Looking forward one year, EPS is expected to reach $9.81, which is $1.50 above the last four quarters.

I'm quoting a lot of numbers here, so let me summarize: even if Linamar were to miss estimates by 38%, that would still constitute a pretty average year. This should put value investors on high "under-valuation" alert. You could reach a similar conclusion from price-to-earnings ratios.

Having listened to many analysts talk about Linamar, it seems to be a stock that they love to dislike.

Key things to watch

The stock has dropped fairly consistently over 28 consecutive trading days. If the share price falls below $58, it's a strong sign the market bears have won the price tug of war for now.

Linamar has shaken things up, now that the MacDon acquisition is complete and a new revenue source is on the horizon. MacDon is an agriculture equipment technologies company, now under Linamar's belt for a hefty price tag of $1.2 billion. Management aims to reduce financial leverage stemming from this purchase to below one, as promised in the Q1 2018 earnings call, within 18 months.

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The diversification provided by SkyJack and MacDon businesses will also need to produce strong results to defuse criticisms or claims the company is losing ground in the automotive parts business.

Take home

Linamar has a market sentiment problem, and it is not clear whether and when this will change. Management has gotten creative, pivoting to develop an agricultural business arm, and this may just be what's needed for a breakout.

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