



ALERT! Canada's Best Auto Stock Revealed

Description

Exco Technologies Limited ([TSX:XTC](#)) designs, develops, manufactures, and [sells dies, molds, components and assemblies](#), and consumable equipment for the die-cast, extrusion, and automotive industries.

The company operates through two segments, Casting and Extrusion, and Automotive Solutions. Exco Technologies Limited was incorporated in 1952 and headquarters are in Markham, Ontario. The company operates in the United States, Europe, Mexico, Canada, South America, Asia, and internationally.

The Casting and Extrusion segment designs, develops, and [manufactures die-casting](#) and extrusion tooling and consumable supplies for aluminum die-casting and aluminum extrusion machines.

The Automotive Solutions segment produces automotive interior components and assemblies comprising synthetic net and other cargo restraint products, injection-molded components, shift/ brake boots, and related interior trim components and assemblies primarily for seating, cargo storage, and restraint for sale to car manufacturers and tier 1 suppliers.

The company is very cheap with a price to earnings ratio of 10.52, a price to book ratio of 0.98 and market capitalization of 325 million. Debt is very sparingly used at Exco Technologies as evidenced by a debt to equity ratio of just 0.05. The company has decent performance metrics with an operating margin of 9.05% and a return on equity of 9.5%.

For the past few years, Exco Technologies has pursued several key strategies designed to achieve recurring revenue and earnings growth.

These include strengthening technological leadership and competitive position in chosen markets through automation and technology, minimizing the cost structure, shifting productive capacity to low cost jurisdictions, diversifying the revenue base with new products and services that leverage competitive strengths, and capitalizing on organic and inorganic growth opportunities.

In 2018, Exco Technologies continued to solidify technological leadership with the production of die-

cast moulds for light-weight structural parts that use advanced aluminum alloys such as silafont. To date, Exco Technologies has shipped numerous such moulds and believes moulds for structural aluminum components will be a significant driver of growth in the medium term.

The company recently determined that reducing weight in an electric vehicle is critical to extend the range of the battery. In response to this, Exco Technologies has invested significant capital in new machinery and equipment to reduce costs, increase efficiency, meet shorter lead times, further enhance the quality of the company's products and expand capacity.

The company performed well in Q3 2019 and reported sales of \$119.9 million and earnings before interest, tax, depreciation and amortization (EBITDA) of \$14.5 million. Earnings per share was \$0.18 and free cash flow was \$0.27 per share.

The company maintained a steady quarterly dividend of \$0.09 per share and continued to repurchase shares in the open market. Issuer bid and dividend returned a total of \$5.6 million to shareholders in Q3 2019.

The company's balance sheet and liquidity appears to be in excellent share and Exco Technologies reported that the company's Mexican Extrusion tooling facility completed a solid first quarter of operations.

Exco Technologies appears to be a great way for a value investor to gain exposure to the North American automotive market. The company trades inexpensively, has significant growth prospects and management seem to be taking the necessary steps to unleash shareholder value.

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