



Top Canadian Stock to Own in a Market Crash

Description

Finning International Inc ([TSX:FTT](#)) provides sales, rentals, parts and [support services](#) for **Caterpillar** equipment and engines and complementary equipment on three continents.

Finning is the largest dealer of Caterpillar products in the world and is the authorized dealer of Caterpillar products in Western and Northern Canada, the United Kingdom, the Republic of Ireland, and the southern cone of South America. Finning has 13,146 employees worldwide.

The company has a price to earnings ratio of 16.34, a price to book ratio of 1.9 and market capitalization of 4 billion. Debt is very sparingly used at Finning, as evidenced by a debt to equity ratio of just 1.09.

The company has excellent performance metrics with an operating margin of 5.69% and a return on equity of 11.72%.

The company has been the [authorized dealer for Caterpillar products](#) in British Columbia since 1933 and services the Canadian dealership territory through the Finning Canada division.

Finning acquired the first Caterpillar dealership territory in South America by becoming the authorized Caterpillar dealer for Chile in August 1993.

In 2016, Finning developed a strategic plan that placed the customer at the centre, including new purpose and vision statements to guide the customer-centric strategy.

Recently, Finning further evolved its strategic plan to provide a shared, global strategic planning and prioritization framework across company operations in the form of multiple global strategic priorities.

Finning has diversified the business through different geographic areas, different lines of business based on the product or service supplied, and different end-use customers and markets.

As a result of this diversification, earnings and cash flow are less exposed to fluctuations in business or economic trends that impact a specific geography, customer or market.

While revenues reported by each reporting segment are mainly derived from business within their designated territories, opportunities exist outside those territories for international power systems projects, pipeline business and used equipment sales.

Finning's operations in Canada, South America, and the U.K. and Ireland offer products and services through four principal lines of business: product support, new equipment sales, used equipment sales and equipment rental.

Finning serves customers operating in diverse markets, including mining and quarrying, construction (including pipeline and oil field development), power generation, and forestry.

Customers include private enterprise and government. Finning has established industry and product specialists for the major markets in the geographic regions in which it operates.

The company's recent quarterly earnings included the negative tax impact due to the devaluation of the Argentine peso of \$0.02 per share as well as severance and restructuring costs in Argentina of \$0.01 per share. Adjusted earnings were up 10%, driven primarily by improved profitability in South America.

Free cash flow was \$165 million, reflecting the company-wide focus on inventory management. Inventory was reduced by over \$150 million from Q2 2019.

In South America, product support revenues increased by 15% and profitability improved despite a challenging economic environment in Argentina. In Canada, the company delivered a solid quarter driven by cost discipline and improvements in operating efficiencies.

Overall, Finning is an excellent way for Canadian retail investors to gain portfolio exposure to the global industrial sector.

CATEGORY

1. Investing

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