



## 1 Great TSX Stock to Buy for a Post-COVID-19 Rally

### Description

As we enter the post-COVID-19 economy, investors should be on the lookout for bargain stocks that are poised to successfully emerge from the crisis.

When searching for buying opportunities, consider a company's historical sales growth, the stability of its balance sheet, and its ability to invest in new technologies, even during economic downturns.

One company that stands out in all three areas is **Linamar** ([TSX:LNR](#)).

### Linamar has emerged successfully from previous downturns

Ontario-based Linamar is primarily known as an automotive parts manufacturer. In addition to the current pandemic, the automotive industry has faced several challenges over the past decade. This industry was among the hardest hit during the Great Recession of 2007 to 2009.

Linamar has historically shown that it can emerge successfully through economic downturns, even as many weaker competitors cannot survive the crises. The company is well managed and has a great balance sheet. In 2019, Linamar generated sales of \$7.4 billion.

Linamar's finances allow it to continue to invest in products and technologies, even during times when the manufacturing cycle is lagging. While other companies are struggling to ramp up production or bring new products to market after a crisis abates, Linamar is ahead of its competitors, because the company does not stop spending on R&D during the crisis.

### New NAFTA

The company was started in 1964 by Hungarian-born Frank Hasenfratz as a one-man machine shop in his basement. Hasenfratz named the company after his two daughters and his wife — Li-Na-Mar: derived from the names of daughters Linda and Nancy, and his wife Margaret.

Linda Hasenfratz now serves as CEO, while Frank Hasenfratz serves as executive chairman of the board.

For several years, Linda Hasenfratz was involved in the renegotiation of the North American Free Trade Agreement (NAFTA). She even accompanied Prime Minister Justin Trudeau to the White House to discuss the trade agreement with U.S. president Donald Trump.

In discussing the importance of the trade deal, Hasenfratz noted, "Eighty percent of the world's automotive production and sales is outside of North America so it's critical for us to maintain the very best cost, quality and technology of products here."

The new agreement, which was [signed in November 2018](#), officially took effect on July 1. The deal is referred to by Canadian officials as the [Canada-United States-Mexico Free Trade Agreement](#), or CUSMA.

While there are many facets to the new deal, requirements for vehicle manufacturers will impact all North American automotive parts makers. The CUSMA requires a higher level of North American content in each vehicle than was required by NAFTA.

CUSMA should incentivize more production and sourcing within Canada, the United States, and Mexico, since the threshold for automotive sourcing content in North America has been increased from 62.5% to 75%.

## Linamar business update

Linamar is ranked 33rd among the Top 100 Automotive Suppliers in North America and 65th among the Top 100 Automotive Suppliers globally in terms of automotive parts sales. The company has operations throughout North America, Europe, and Asia and plans expansions in China, Brazil, and India. These operations include 61 manufacturing locations, 10 R&D centres, and 25 sales offices.

Earlier this week, Linamar released an update regarding the company's recovery following the COVID-related shutdowns. The company has restarted 100% of its global operations since the easing of restrictions due to the pandemic.

In the company's Transportation segment, auto sales and production have performed better than expected with improvements in monthly vehicle sales from the lockdown's lowest point. Resumed production in Linamar's Light Vehicles is going well, particularly in North America and China. Overall, the company's outlook for Light Vehicles sales has improved over the past two months.

However, in the company's Industrial segment, construction site stoppages during the shutdown dramatically impacted the market. Likewise, the Agriculture market saw modest negative impact due to the coronavirus.

## The bottom line

As of this writing, shares of Linamar are trading at \$38.22. With the impact of the NAFTA renegotiation and the shutdowns behind the company, the stock looks poised to return to previous highs

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