



TFSA Investors: 1 Value Stock With Significant Growth Drivers

Description

Finning International ([TSX:FTT](#)) sells, services, and rents heavy equipment and power and energy systems in Canada, Chile, the United Kingdom, Argentina, and internationally. The company is involved in electric power generation, marine power, petroleum, and truck engine installations. It serves agriculture, construction, electric power generation, mining, and oil industries. Finning is headquartered in Vancouver, Canada.

Resilient business model

Strengthened commodity prices, [accelerated adoption of technology](#) by customers, and a transition to a low-carbon economy should provide growth opportunities for Finning's business in the near to medium term. As key markets recover, many of the company's customers have announced an increase in capital expenditures, which should provide Finning with additional opportunities.

Oil sands production is expected to grow in response to higher oil prices and the removal of production curtailments by the Alberta government. As the world transitions to a low-carbon world, and the largest economies recover from the pandemic, the demand for copper is expected to increase, which should lead to increased mining activity in Western Canada. This should benefit Finning.

Significant growth drivers

Another important growth driver for Finning is public and private investments in infrastructure projects, which provides significant opportunities in the construction sector across the company's dealership territories. In Canada, the provincial governments have announced multi-billion-dollar infrastructure stimulus packages to support economic recovery. These projects create both immediate and mid- to long-term opportunities for equipment, product support, heavy rentals, and prime and standby electric power generation.

In addition to significant private sector [investment in the power sector](#), Finning should expect to benefit from public investments in irrigation modernization and expansion projects in Alberta and

Saskatchewan. Finning's power systems business should continue to support growth through all stages of the economic cycle, particularly in Ireland.

Capital-allocation opportunities

Finning has significant opportunities in electric power capacity, heat and power, and data centre markets. In Ireland, over the last 10 years, Finning has invested more than £6.3 billion in data centre infrastructure. An acceleration of technology adoption by Finning's customers, has increased the rate of return on investments the company has made in recent years.

In addition to enabling more robust inventory management, machine connectivity has provided the company with a solid foundation to grow product support market share in both mining and non-mining sectors. Finning's e-commerce journey, from 10% of non-service parts ordered online in 2016 to 41% in 2020, continues today and is only beginning, as the company supports customers in converting to an online platform.

Digital solutions

Finning also offers digitally enabled, value-added services that allow customers to improve equipment, fleet, and operational performance and are critical in positioning it to capture new equipment and product support opportunities. As an example, Finning's digital solutions for the construction industry provide project, planning, and equipment data to provide breakthrough performance for large earthmoving projects.

In short, the company's resilient business model and financial flexibility position it well to capture attractive growth opportunities, as markets recover following the global pandemic. The company's current stock price provides a unique opportunity to all value investors.

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