TFSA Investors: 1 Value Stock Set to Benefit From Electric Vehicles

Description

Linamar (TSX:LNR) is an advanced manufacturing company focused on the use of leading-edge technologies. The company has deep manufacturing expertise and creates solutions that power vehicles for the future. Linamar has over 25,000 employees in 60 manufacturing locations, 12 research and development (R&D) centres, and 25 sales offices in 17 countries in North and South America, Europe, and Asia, which generated sales of $5.8 billion in 2020.

The company's industrial segment is comprised of Skyjack and MacDon. Skyjack manufactures scissor, boom, and telehandler lifts for the aerial work platform industry. MacDon manufactures combine draper headers and self-propelled windrowers for the agricultural harvesting industry. Within the company's transportation segment, the regional groups are vertically integrated operations combining expertise in light metal casting, forging, machining, and assembly for both the global electrified and traditionally powered vehicle markets.

The transportation segment products are focused on both components and systems for new energy powertrains, driveline, engine, and transmission systems of these vehicles. Engineering provides design, development, and testing services for the transportation segment. For 2020, the company's five largest customers accounted for 54.7% of consolidated revenue.

Advancing new technologies

In spring 2020, the company completed the construction of an incubator for new technologies. This facility consolidated much of Linamar's innovation efforts under one roof and focus on developing, evaluating, and demonstrating next-generation manufacturing and automation technologies in an offline environment. This is an ideal work environment to invest in both the products and processes of the future.

This facility, named iHub, became the focal point of Linamar's response at the onset of the COVID-19 pandemic. The site was already slated to be the permanent production location of the advanced medical products, Linamar's first entry point into the medical technology market space. This made iHub

a highly suitable location for to the manufacture of ventilators. Additionally, the iHub also launched production of the CleanSlate unit, a rapid ultraviolet light-based disinfection unit.

Precision machining

Through the company's precision machining businesses, Linamar principally engages as a global leader in manufacturing solutions and world-class developer of highly engineered products for the automotive industry for both the global electrified and traditionally powered vehicle markets. In 2020, the operating structure re-aligned to create a more vertically integrated organization.

The individual groups centered around machining, light metals casting, and forging were further amalgamated to create a single regional group in each of North America, Europe and Asia-Pacific. The new structure enables a highly integrated, streamlined operation and improves customer communications.

Intelligent capital allocation

The company also pursues business opportunities that will further develop Linamar's product and process technology and utilize the company's machining and manufacturing expertise both outside and within the automotive sector. The company's strategy is primarily centred on acquiring unique technologies or access to new markets.

Vertical integration into both steel forgings and light metal castings, as well as the MacDon investment, are examples of this. The medical market is one industry outlined in the Linamar's 2100 strategic plan. The company has made investments that align with Linamar's innovation and diversification strategy by bringing value to several early-stage companies.

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