



Value Stock Alert: 1 Industrial Giant to Buy and Hold Over the Long Term

Description

Founded in 1858, **Wajax** ([TSX:WJX](#)) is one of Canada's [longest-standing and most diversified](#) industrial products and services providers. The company operates an integrated distribution system providing sales, parts, and services to a broad range of customers in diverse sectors of the Canadian economy, including construction, forestry, mining, industrial, oil sands, transportation, metal processing, government and utilities, and oil and gas.

Robust business strategy

The goal of Wajax's strategy is to provide customers with access to the company's [full range of products and services](#) while delivering a consistently excellent level of customer service. The company is focused on delivering a strong experience for customers and employees through the execution of clear plans in several key areas.

Investing in Wajax's team and customers

The safety, well-being and engagement of the company's team of over 2,600 employees, including the 154 new employees that joined the team through the acquisition of Tundra, is a priority for the company. Further, Wajax supports 32,000 individual customers across Canada ranging from small local contractors to the country's largest industrial and resource organizations.

Executing a clear organic growth strategy

The company has classified each of Wajax's 10 current product and service categories based on a category's contribution to sustainable growth. While Wajax is competitive in all of the categories it participates in, these classifications ensure that resources, such as inventory, capital, personnel and marketing, are allocated appropriately.

Accretive acquisitions strategy

Wajax has developed clear acquisition criteria for the Canadian and United States markets. In Canada, the focus is primarily on acquisitions that add to the company's scale in the engineered repair services (ERS) business and secondarily to extensions to the company's existing distribution businesses. In the U.S. market, the company's focus is on reviewing growth opportunities related to distribution businesses that provide a long-term growth platform for Wajax's multi-category model.

Revamping Wajax's infrastructure

The company is making major changes to Wajax's infrastructure to improve the consistency of customer service and lower costs. The company's current programs include the ongoing consolidation of Wajax's branch network, investing in new information systems and implementing customer support centres that provide customer support in all product and service categories.

Diverse product categories

Wajax currently provides products and services in 10 categories. Growth planning focuses on the relative opportunities in each of these categories considering market size and share, the strength of manufacturing relationships, category profitability, and the durability of opportunity through the business cycle. In 2020, organic growth was negatively affected by COVID-19-related market conditions and temporary restrictions on customer operations.

Targeted growth strategies

Targeted growth categories have represented the majority of planned growth due to Wajax's market share opportunities, excellent manufacturer relationships, and opportunities to grow through the cycle. Wajax offers very strong products and services, and the company is well positioned to benefit from upside in each of these categories as commodity cycles improve.

Overall, Wajax is adjusting category growth expectations to reflect an improved balance between sustainable growth, working capital risk, and competitive differentiation. These adjustments are expected to place increased emphasis on above-market growth.

CATEGORY

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