



Finning International (TSX:FTT): A Likely Multi-Bagger in 2022

Description

The industrial sector is underperforming in 2022, although it's doing better than the broader market year to date (+0.72% versus -7.90%). Investors remain focused on the energy sector (+36.56%), because earnings and cash flows of oil producers keep rising due to elevated crude prices.

Meanwhile, investors looking to diversify or reduce positions in commodity stocks should consider a [multi-bagger in the making](#). **Finning International (TSX:FTT)** became a screaming buy after reporting an impressive profit growth in the second quarter (Q2) 2022. The breakout of this industrial stock is inevitable.

Brief company overview

Finning has been operating since 1933 and is the world's largest **Caterpillar** dealer. Caterpillar, a Fortune 100 company, is the world's leading manufacturer of construction and mining equipment, including diesel and natural gas engines plus industrial turbines.

As a Caterpillar dealer, Finning sells, rents, and provide parts & service for equipment and engines. Clients of the \$4.65 billion company are in various industries, such as construction, forestry, mining, and petroleum. It also offers a wide range of power systems applications.

Improved earnings capacity

Finning cites strong market conditions and the success of its product support growth strategy for the higher revenues and earnings in all operations. In the quarter ended June 30, 2022, revenue increased 24% versus Q2 2021. The net income attributable to shareholders jumped 37% year over year to \$126 million.

Management said the strong execution and performance in the second quarter demonstrate Finning's significantly improved earnings capacity. Management added that the results exceeded targets due to the focused execution on a simple plan to drive product support, reduce costs, and reinvest to

compound earnings per share (EPS).

In the first half of 2022, EPS growth was 52%. Notably, the product support business grew by 14% over the last quarter compared to the four quarters ended Q2 2021.

Management expects demand conditions to remain favourable for the rest of the year, Because of its large equipment backlog, continued product support growth, and disciplined operational execution, Finning projects EPS growth in the back half of 2022 to be above the mid-teens.

Full-cycle resilience

Despite the robust activity levels, the ongoing supply chain disruptions, labour issues, rising interest rates, and soaring inflation are threats to the business. Management is closely monitoring these factors or leading indicators. Nonetheless, it said that the full-cycle resilience of Finning's business model and step-change improvement in the execution have been on full display in the last four quarters.

Scott Thomson, Finning International's president and chief executive officer, said, "Sustainable improvements in our operating model efficiency, inventory management practices, and proactive deployment of our digital capabilities make us confident that we will continue to successfully navigate a very dynamic global business environment going forward."

A Dividend Aristocrat

The impact of the strong quarterly results on the industrial stock was instant. On August 3, 2022, Finning advanced 7.36% to finish higher at \$29.74 per share. While investors are still down 5.47% year to date, market analysts covering the stock are bullish. They forecast an average return potential of 33% (\$39.63) in 12 months.

Lastly, Finning International is a Dividend Aristocrat owing to 20 consecutive years of dividend increases. If you take a position today, the dividend yield is 3.37%.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:FTT (Finning International Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise

7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. cliew
2. kduncombe

Category

1. Dividend Stocks
2. Investing

Date

2025/06/28

Date Created

2022/08/05

Author

cliew

default watermark

default watermark