



Is Linamar Corporation's \$1 Billion Acquisition of France's Montupet a Buy Signal?

Description

Linamar Corporation ([TSX:LNR](#)) may be lesser known than its larger Canadian auto-parts rival, **Magna International Inc.**, but the Ontario-based company has slowly built its customer and consumer base and appears poised for future growth, as seen with Thursday's cash purchase of France's Montupet for \$1.16 billion.

"Montupet is a technical leader in the market, well known and respected for its engineering and processing expertise in the cylinder head segment in particular where we intend to grow and leverage our respective strengths," said Linamar CEO Linda Hasenfratz in a statement.

"Our businesses are very complementary, with our finished machining strength and Montupet's casting expertise, and we are remarkably aligned in our business philosophies, manufacturing discipline and employee dedication with strong values and culture given our family business approach."

Montupet chairman and CEO Stephane Magnan added, "We strongly believe Linamar, with its global footprint, strong values, diverse process capabilities, and automotive manufacturer relationships is a good choice to lead Montupet's growth and success in the long term."

The aluminum component maker's clients include **Ford**, Renault-Nissan, PSA Peugeot Citron, Audi, Volvo, and Daimler, giving Linamar a bigger presence in Europe and India.

Hasenfratz was particularly pleased with the addition of Renault-Nissan, which has not been a large customer for Linamar in the past. "This is very positive given their large global footprint," she said.

Although Linamar is a fast-growing company, its stock has been relatively flat in 2015, compared to a 35% leap from this time last year. Some investors have also been disappointed by Linamar's dividend, which is currently just \$0.10 per share, with a yield of 0.57%.

But that could all change should Linamar continue its current track of strong financial results (the next earnings report is due on November 4), positive acquisitions, and growing recognition in the highly competitive auto-parts space. Moreover, Hasenfratz says she's targeting double-digit annual growth for

the company. And with more than \$165 million in earnings in the last quarter, the company certainly has the funds to boost its dividend should it choose to do so.

The stock dipped a further 2.5% in the hours following the Montupet acquisition announcement. Investors should keep a close eye on Linamar for any significant dips in the stock price, which could represent a buy signal.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:LNR (Linamar Corporation)

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