



## AutoCanada Inc's Stock Has More Than Doubled in the Past Year; Is There Still Room to Grow?

### Description

**AutoCanada Inc.** ([TSX:ACQ](#)) has been working hard the past few years consolidating the fragmented automotive dealership industry in Canada. Now the 42-dealership-strong company is the largest publicly traded automotive group in Canada. It is also just eight dealership acquisitions away from being the all-out largest automotive group in the country.

In the past 52 weeks, the stock has gone from \$28.31 on August 6, to its highest point of \$91.72 in June and closed Thursday at \$76.95. This is exceptional stock growth for the company, and the recent pull-back is creating a small window for new investors to jump in. If the national July auto sales and the recently reported Q2 results are any indication, the \$96.00 price target is not much of a stretch.

### July was a record month for car sales in Canada

This past July was a record year for car sales in Canada, with sales coming in 11.3% higher than July 2013. In total 176,995 vehicles were sold during the month with truck sales being a major factor. In all 1.77 million vehicles are expected to be sold in Canada this year.

For AutoCanada this is welcome news, though we will have to await its Q3 results to see how well July was on the bottom line. But what about its second quarter results that hit the lot this week?

### Can I take the second-quarter revenues out for a test drive?

On the back of an aggressive acquisition campaign, revenues rose to \$465 million in the quarter up from \$388 million in Q2 2013. New car sales fuelled these results contributing \$289 million of total revenues. Gross profits also managed to rise during the quarter totalling \$78 million up from \$64 million.

Net income took a modest 18% markup coming in at \$12 million (\$0.58 per share) up from \$10 million (\$0.53 per share). Same store sales also increased by an average of 4.1%, with same store gross profit rising 5.4%.

## **New acquisitions? I'll have to check with the manager**

This was a busy quarter for AutoCanada in terms of acquisitions with seven deals completed during the quarter and another two announced in July. One of the more interesting acquisitions was a BMW dealership in Montreal, which represents the first "luxury" brand in the company's portfolio. There was also the addition of the Dodge City dealership which has one of the highest sales volumes in the Prairies.

Thanks in part to these strong revenues, the company has revised its acquisition guidance. Now AutoCanada is looking to add another eight to ten dealerships by May 2015, above and beyond what it has already picked up this year. This should be an easy task for the company as it has raised \$350 million through bond and equity offerings in the past three months.

As a bonus to investors the company has raised its dividend for the 14<sup>th</sup> consecutive quarter, from \$0.92 annually to \$0.94 with a yield of 1.19%.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. TSX:ACQ (AutoCanada Inc.)

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### **Author**

cameronconway

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