



## AutoCanada Inc.'s Revenue Jumped 74.1% in Q1: Should You Invest Today?

### Description

**AutoCanada Inc.** ([TSX:ACQ](#)), one of the largest automotive dealership groups in Canada, announced better-than-expected first-quarter earnings results after the market closed on May 7, and its stock responded by rising over 20% in the trading session that followed. Let's break down the quarterly results to determine if we should consider buying in to this rally, or if we should wait for it to subside.

#### Surpassing analysts' expectations with ease

Here's a summary of AutoCanada's first-quarter earnings results compared with what analysts had expected and its results in the same period a year ago.

Metric	Reported	Expected	Year-Ago
Earnings Per Share	\$0.20	\$0.15	\$0.38
Revenue	\$633.41 million	\$606.40 million	\$363.93 million

Source: *Financial Times*

AutoCanada's earnings per share decreased 47.4% and its revenue increased 74.1% compared with the first quarter of fiscal 2014. These very strong results can be attributed to two primary factors. First, AutoCanada added 20 dealerships and 416 service bays in the last year, bringing its total dealership count to 48 and its total service bay count to 822 at the end of the quarter. Second, the company inked deals to bring four new brands to its dealerships, including Cadillac, BMW, MINI, and Kia, bringing the total number of brands that it offers to 19.

These two factors were driving forces behind AutoCanada's revenue from the sale of new vehicles increasing 59.6% to \$345.54 million, revenue from the sale of used vehicles increasing 89.9% to \$163.24 million, and revenue from parts, service, and collision repairs increasing 128.2% to \$92.95 million.

Here's a quick breakdown of eight other notable statistics from the report compared with the year-ago period:

1. New vehicles sold increased 36% to 8,933
2. Used vehicles sold increased 71% to 4,891
3. Number of service and collision repair orders completed increased 116.4% to 199,096
4. Revenue from finance, insurance, and other services increased 52.9% to \$31.67 million
5. Gross profit increased 67% to \$105.44 million
6. Earnings before interest, taxes, depreciation, and amortization decreased 12.4% to \$12.69 million
7. Inventory increased 139.1% to \$625.78 million
8. Cash and cash equivalents increased 59.7% to \$66.35 million

AutoCanada also announced that it will be maintaining its quarterly dividend of \$0.25 per share, and the next payment will come on June 15 to shareholders of record at the close of business on May 31.

### **Should you be a buyer of AutoCanada today?**

AutoCanada posted a very strong performance in the first quarter, so I think the rally of over 20% was warranted. I also think this is only the beginning of a sustained rally higher because the stock still trades at inexpensive forward valuations and has shown a strong dedication to maximizing shareholder value through the payment of dividends.

First, AutoCanada's stock trades at just 20.1 times fiscal 2015's estimated earnings per share of \$2.07 and only 13.5 times fiscal 2016's estimated earnings per share of \$3.08, both of which are very inexpensive compared with its long-term growth potential and the industry average multiple of 21.6.

Second, AutoCanada pays an annual dividend of \$1 per share, giving its stock a 2.4% yield at today's levels. A 2.4% yield is not high by any means, but it is very important to note that the company has increased its dividend 15 times since 2011, making it one of the market's top dividend-growth plays.

With all of the information provided above in mind, I think AutoCanada represents the best long-term investment opportunity in the automotive industry today. All Foolish investors should take a closer look and consider beginning to scale in to positions.

### **CATEGORY**

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

### **TICKERS GLOBAL**

1. TSX:ACQ (AutoCanada Inc.)

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