



Uni-Select Inc. Is the Manufacturing Stock to Own

Description

The low-flying loonie has been a curse and a blessing for different businesses. While the oil, gas, and mining sectors of the economy are reeling from the collapse of the dollar and crude prices, manufacturing companies such as **Uni-Select Inc.** ([TSX:UNS](#)) are having a resurgence thanks to the weak loonie.

Uni-Select is the largest distributor to the aftermarket segment for automotive parts, tools, and equipment. The company has a network of 13 distribution centres with over 220 stores and over 2,700 employees scattered across Canada and in 30 states.

How is Uni-Select doing?

Uni-Select finished 2105 on a high note. The company was one of the top-performing stock on the TSX in 2015, experienced incredible growth, and doubled in price. Considering that so many other stocks finished in the red, this puts Uni-Select's 2015 performance into its own category.

In the most recent quarter the company reported US\$276.2 million in sales. This represented an approximate 40% decrease over the prior year, which can be attributed to the sale of Uni-Select USA, Inc. which occurred on June 1 of 2015. The prior year's results included the sales activity of Uni-Select USA Inc.

The automotive products and the paint and related products segments both experienced growth of approximately 4%, a figure that is likely to increase with subsequent quarters. Net earnings came in at \$15.7 million, an increase over the \$14.8 million in the prior year.

Company cash flow at the turn of the quarter was \$22.4 million, and the company had an unused credit facility of \$404 million at the ready for growth and acquisitions.

Made in Canada, but bought abroad

FinishMaster, Inc., a subsidiary of Uni-Select, started 2016 with an acquisition of ColorMaster Automotive Paint, Inc., which will see the company expand in to new markets in the U.S. This is a key

part of the company's strategy and will likely not be the last acquisition for the company this year.

The acquisition will significantly bolster the company's presence in Texas, Missouri, and Illinois, and it will introduce the first location for the company in Louisiana.

Manufacturing and a low-flying loonie go together like bread and butter. The lower the loonie goes, the cheaper manufactured goods will be sold for abroad, making those higher-quality Canadian goods much more competitive than foreign equivalents that may not have the same quality standards.

This is where the real value of Uni-Select starts to unfold. With the declining loonie, the company is starting to see an impact on the bottom line, which not only reports in U.S. dollars, but has a large and increasing chunk of its sales from the U.S.

In my opinion, investors looking for a long-term growth option to diversify their portfolio would benefit from adding Uni-Select.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:UNS (Uni-Select)

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Author

dafxentiou

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