



## A Strong Growth Stock That Just Got Stronger

### Description

Shareholders of **Boyd Group Income Fund** (TSX:BYD.UN) must be very happy with the stock. An investment made 10 years ago has returned +4,777%, or annualized returns of +47%. An investment five years ago has returned nearly 700%, or annualized returns of +51%.

### Why has Boyd Group outperformed?

Typically, the market returns on average 10% per year. Boyd Group's amazing outperformance had partly to do with multiple expansions and excellent execution.

Five years ago, the stock traded below \$13 at a price-to-earnings ratio (P/E) of about 10.4. Since 2013, the company has experienced double-digit rate of earnings-per-share (EPS) growth. So, it isn't surprising that the stock has started trading at higher multiples.

### The stock is no longer cheap

Currently, at about \$99.50 per share, the stock trades at a P/E of 31.7, or a forward P/E of about 28.8. The analyst consensus expects the company to continue to grow its EPS at a compound annual growth rate (CAGR) of about 18% for the next three to five years. So, the stock trades at a reasonable multiple.



## How the company grows

Boyd Group is an automotive collision repair company which owns and operates auto collision and auto glass repair shops in North America.

One of its main growth strategies is consolidating the highly fragmented industry. Since opening its first collision repair facility in Winnipeg, Manitoba, in 1990, it has grown to 364 locations across 20 U.S. states and 42 locations in Canada. It has retail glass operations across 31 states, while its Canadian glass operations are integrated in the collision business.

Comparatively, there were about 32,900 collision repair shops in the U.S. in 2015, of which, by revenue, 70.3% were single shops, 21.5% were large multi-shop operators, and 8.2% were small multi-shop operators and franchises.

Boyd Group also keeps watch over its cost. It has maintained operating expenses as a percentage of sales of about 38% since 2011 with the 2016 percentage at 36.8%. A lower ratio suggests the company is more efficiently run.

Management aims to double the size of its business from 2015 to 2020 on a constant-currency basis. This implies an average annual growth rate of 15%. The company is well positioned to continue to consolidate the fragmented industry.

## Recent development

On May 29, Boyd Group agreed to acquire Assured Automotive Inc., which will expand Boyd Group's footprint to 474 locations in North America with 110 locations in Canada. With 68 locations in Ontario, which is Canada's largest collision repair market, Assured will significantly raise Boyd Group's presence in the province, in which it only has one location presently.

Assured has a track record of delivering a five-year revenue CAGR of 24.7% through strong organic same-store sales growth and acquisitions, which fits well with Boyd Group's strategy.

## Investor takeaway

After the announcement of the Assured acquisition, Boyd Group shares have appreciated about 10%. The shares are still reasonably priced for the company's anticipated double-digit growth. Prudent investors can consider buying some shares on a pullback to \$80-90.

## CATEGORY

1. Dividend Stocks
2. Investing

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