

This Stock Has Returned +3,900% in the Past 9 Years

Description

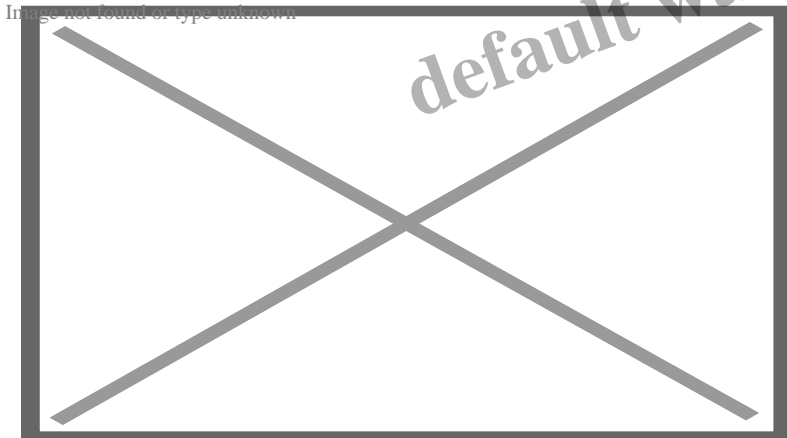
Boyd Group Income Fund (TSX:BYD.UN) stock has done extremely well over a long period of time. In the last 10 years, it has appreciated +3,300%! In the last five years, it has risen almost 520%.

Even after the dip of ~10% from its recent high, Boyd Group Income Fund still delivered total returns of ~8% in the last 12 months, beating the Canadian market, which only delivered total returns of ~6.5%.

What does Boyd Group Income Fund do?

Since opening its first collision repair facility in Winnipeg, Manitoba, in 1990, Boyd Group Income Fund now operates locations in five Canadian provinces under the trade names Boyd Autobody & Glass and Assured Automotive and in 20 U.S. states under the trade name Gerber Collision & Glass.

Boyd Group Income Fund is one of the largest operators of non-franchised collision repair centres in North America in terms of the number of locations, and it's one of the largest in terms of sales. It is also the second-largest retail auto glass operator in the U.S.



Boyd Group Income Fund's growing profitability

Boyd Group Income Fund is a consolidator in the fragmented auto collision repair industry. The company currently has about 364 and 42, respectively, company-operated collision locations in the U.S. and Canada.

Boyd Group Income Fund has also improved its operations over time. It expanded its operating margin by ~80% from 3.6% in 2007 to 6.5% in 2016.

In the same period, it increased its net income at an annual rate of ~29%, which translated to a strong growth rate of ~18% on a per-share basis. Its free cash flow generation was even stronger. In the past nine years, it grew at an annual rate of ~36%, which was ~27% on a per-share basis.

Total returns and dividends

From the end of 2007 to now, a \$10,000 investment would have transformed into +\$400,000 for a total rate of return of +3,900%, or an annualized rate of return of ~46%!

However, it would be illogical to expect the similar kinds of returns in the next nine years. That's because, in the past nine years, the company's multiple expanded from six to ~29, and its revenue is seven times larger.

That said, the shares are reasonably valued and can still deliver annualized returns of 10-12% if the company continues to grow at a double-digit rate, as it anticipates it will.

Boyd Group Income Fund focuses more on growth over paying out dividends. In fact, it is a mutual fund trust that pays out cash distributions, of which less than 20% tends to be eligible dividends and more than 80% tends to be other income that is taxed at the unitholders' marginal income tax rates.

Still, the company has increased its distribution every year since 2008 with the last two increases being a rate of ~2.4%.

Investor takeaway

A \$10,000 investment in Boyd Group Income Fund has transformed into more than \$400,000 in the past nine years.

With the management having growth planned through 2020, the stock should be able to at least match the market rate of return of 10% for the next few years, barring a market-wide decline.

Investors focused more on growth and capital gains can consider scaling in to the stock on this dip and buying more if we see further weakness.

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