



2 Stocks Trading at Multi-Year Lows: 1 of Them Has Massive Upside in 2018

Description

One strategy that stands the test of time is buying quality stocks when they are [trading at lows](#) due to factors outside of the control of the company itself.

The old adage “buy low and sell high” is not as easy as it sounds, because when a stock is low, and the market continues to put downward pressure on it as sentiment turns increasingly negative, it is hard to go against the crowd.

But this is where we can take advantage of mispricings and ultimately boost our portfolio returns.

It is not for the faint of heart, but let's take a stab at it here.

In this article, I would like to review two stocks that have had a rough time of big underperformance, but only one is ripe for future outperformance and [massive upside](#).

The first stock is **AutoCanada** ([TSX:ACQ](#)).

This stock has been a big disappointment for a while now, as the company has struggled with weak demand, higher expenses, lower margins, write-downs, and a heavily indebted balance sheet, with a debt-to-capitalization ratio that has now hit 71%

The latest results were again disappointing, prompting management changes, analyst downgrades, and more downside in the stock, which is down more than 30% in the last week alone.

The problem with AutoCanada is the fact that this company has grown through acquisitions. With its high debt levels, it will be a difficult and risky task to continue this strategy.

And rising interest rates, along with the fact that the auto cycle is in the late stages, does not bode well for the stock either.

Uni-Select ([TSX:UNS](#))

By contrast, Uni-Select has many things going for it, and the stock's underperformance has given

investors the opportunity to establish a position at attractive prices.

Uni-Select benefits from geographic diversification, the return of organic growth, and strong and increasing market share positions in its markets, which remain highly fragmented and ripe for consolidation.

The automotive aftermarket and the automotive paint and materials industries have good growth in front of them due to the fact that consumers are holding on to their cars longer.

I believe this will continue because U.S. and Canadian household and consumer debt levels are unsustainably high and interest rates are rising, so consumers will increasingly need to hold on to their cars longer versus buying new ones.

In summary, here we have looked at two stocks with somewhat similar pasts but vastly different futures, in my view.

Uni-Select is a quality stock with a good risk/reward trade-off, while AutoCanada is in the throws of uncertainty, with an elevated risk profile.

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2. TSX:UNS (Uni-Select)

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