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## Description

With auto sales continuing to see declines amidst a rising interest rate environment and a heavily indebted consumer, investors would be well-advised to exit their positions in [auto parts companies and automakers](#) if they have not already done so, despite the fact that these stocks have already been hit hard.

And for a different kind of exposure that can be expected to thrive in this new environment, consider **Uni-Select Inc. (TSX:UNS)**, a company that is involved in the automotive aftermarket and the automotive paint and materials industries, both of which have good growth in front of them due to the fact that consumers can be expected to hold on to their cars longer, and therefore require more repair and servicing work.

A trend that I believe will be long-lasting because U.S. and Canadian household and consumer debt levels are unsustainably high and interest rates are rising, and so consumers will increasingly need to hold on to their cars longer versus buy a new one.

Uni-Select stock has had a rough ride as of late, down 28% year-to-date, but with unlike the auto parts stocks, with Uni-Select, I believe this is an opportunity to buy.

With a [dividend](#) yield of 1.74%, a strong cash flow business, geographic diversification, and strong market share positions in all its segments, Uni-Select has a bright future.

In the shorter term, the stock has levelled off in the \$21 range, and a shakeup is happening.

After several quarters of subpar performance and missed expectations, the CEO has been ousted, as has the President of FinishMaster, Uni-Select's underperforming segment.

And with this, 2018 guidance has been reduced.

So what we have now is guidance of 0.8% to 2.6% revenue growth, reflecting weakness at FinishMaster, and guidance for EBITDA margins of 6.75% to 7.25%.

A strategic review is going on at the company, with management seemingly considering all options including a sale of parts of the business, as well as big cost-cutting initiatives.

So we have more potential catalysts for the stock.

And while the stock is definitely more volatile than I would like, this volatility is giving investors chances to establish positions in a company that generates strong cash flows and has a successful history as a consolidator.

The company's latest results were above expectations, with sales, margins, EBITDA and EPS coming in stronger than expected.

The stock is now trading at a P/E ratio of 20 times 2019 expected earnings, and 19 times 2020 expected consensus earnings.

And the company's ROE stands at almost 10% and it trades at a P/B of 1.3 times.

These are attractive valuation levels.

Yes, Uni-Select is going through some hardship, and this stock is not for the faint of heart, but for those investors that are looking for a good deal, keep reading.

Free cash flow in the first nine months of 2018 was \$66 million, or 5% of sales.

The company is using this cash flow to pay down debt, which is expected to come down significantly over the next couple of years.

## **CATEGORY**

1. Dividend Stocks
2. Investing

## **TICKERS GLOBAL**

1. TSX:UNS (Uni-Select)

## **PARTNER-FEEDS**

1. Msn
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