1 Ridiculously Cheap Stock and 1 Deservedly Premium-Priced Stock for Strong Gains

Description

The fact that consumer debt is at unprecedented highs, coupled with the fact that vehicles are lasting much longer than ever in history, leads to the view that the automotive repair business is an attractive one today.

It is a business that is resilient in times of recession or economic weakness, as consumers opt to hold on to their cars longer, and while the longer-term emergence of accident avoidance technologies will certainly put pressure on repair companies, the short- to medium-term picture looks extremely good for this business.

Here are two attractive stocks that will benefit.

Boyd Group Income Fund (TSX:BYD.UN)

As a North American leader in automotive collision and glass repair, Boyd Group operates more than 500 collision repair centres.

The stock has rallied 22% year-to-date, as the company has continued to post solid results, the latest of which was fourth-quarter 2018 results that showed an 18.8% increase in sales, a 4.4% increase in same store sales, and a 24.8% increase in EPS.

With 90% of its revenue coming from collision repair and 85% of its revenue coming from the U.S., Boyd is well positioned to benefit from its defensive business that should prove to be resilient in times of economic weakness.

Going forward, Boyd still sees room for future growth via acquisitions, and with its healthy balance sheet that has a 34% debt to capital ratio, it has flexibility to fund these acquisitions.

Uni Select Inc. (TSX:UNS)

Uni Select is another 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.

Uni-Select stock has had a rough ride as of late, down 28% year-to-date, and I believe this is an opportunity to slowly accumulate a position.

And this is also an attractive dividend stock, with a dividend yield of 2.68%, a strong cash flow business, geographic diversification, and strong market share positions in all its segments, Uni-Select has a bright future.

The stock bottomed at under $13.00 and a shake-up 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 was reduced.

Actual 2018 results came well within guidance, with organic growth of 1.5% and EBITDA margin of 6.8%.

The stock is now trading at a P/E ratio of 12 times current earnings.

And the company's ROE stands at almost 7% and it trades at a P/B of 0.7 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 2018 was $110 million, or 6% of revenue.

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

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