Gain Exposure to This Rapidly Growing Consumer Trend With This Top Long-Term Stock

Description

Over the last few years, it's no secret that there have been a record number of auto sales. The combination of lower oil prices making gasoline significantly cheaper, better fuel efficiency in cars, a booming economy, and extremely low interest rates all contributed to a record number of new cars being sold.

This has translated to an increased number of cars on the road, which intuitively leads to more car repairs and more collisions.

One company that has benefited dramatically from this growing industry trend, making it a prime candidate to hold long term, is **Boyd Group Income Fund** (TSX:BYD.UN).

Boyd Group is one of the largest operators of automobile collision repair centres in North America, with nearly 650 locations across both Canada and the United States.

Its business has naturally been growing as a result of record auto sales for years and a growing number of cars on our roads. It's also grown through strategic acquisitions, building its network of locations and keeping its operations logistically sound.

It operates through its three subsidiary companies: Boyd Autobody and Glass in Western Canada, Assured Automotive in Ontario, and Gerber Collision and Glass in 27 of the lower 48 states in America.

The American portion of its business makes up more than 80% of the company's revenue, but what is most interesting is that since these are collision repair centres, more than 90% of the revenue is paid for by insurance companies, which makes it more stable, since it doesn't quite rely on consumers having the capital to pay for their own repairs.

In its most recent earnings report for the third quarter in 2019, Boyd reported an increase to revenue of 23.4% over the same quarter last year. The increase was largely due to the acquisitions and new locations the company has brought online over the last year but also due to an increase in its same-store sales, which came in around 3.3%.

From an earnings standpoint, the company actually reported lower earnings than in the third quarter of 2018; however, this was due to higher financing and depreciation costs.

Adjusting for a number of these factors actually saw the company report adjusted earnings per share of $1.10 this year compared to last year's third-quarter adjusted earnings per share of $1.04.

What is most impressive, though, is the cash flow it generated in the third quarter, which came in more than double last year's third-quarter cash flow. The increase was due to lower operating expenses it recorded in the quarter and an increase to operating income.

From a balance sheet standpoint, the company's net debt increased over the last year, which was mainly due to the acquisition activity the company has been engaging in.

It still has strong liquidity, however, and Boyd believes that the capital it currently has will be sufficient to meet its growth needs going forward.

The company is still on track to meet its stated long-term goal of doubling the size of its business by 2020, which it set for itself back in 2015.

Going forward, it is mainly focused on improving its operations further, which will help it to better manage its costs. It's also focused on improving its returns from existing operations, which should help to drive same-store sales growth. Lastly, it remains keen to continue its string of strategic acquisitions, as long as the deals make economic sense.

Boyd Income Group is the only publicly traded company that operates in the auto collision repair industry, so its stock doesn't have to compete with any other businesses that operate in the same sector.

Furthermore, as cars continue to become cheaper to drive and the industry expands, the demand for Boyd's services can only increase. This makes it a great stock to own for the long term, as it is only destined to grow from here.

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