Buy Alert: This Canadian Stock Is About to Explode Higher

Description

Even though the overall market has recovered nicely from March's lows, the average Canadian stock is still quite depressed.

Like with every rally, not every stock has been represented. Technology and precious metals stocks are doing quite well, with names in both sectors hitting fresh all-time highs. Grocery stocks and other consumer staples are also doing just fine. Energy stocks have also recovered nicely.

But the list of Canadian stock sectors that haven't recovered is much longer. Banks are still down 20-30% from the peak. Most anything healthcare related is still depressed, especially the seniors housing operators. The average REIT is still down significantly. And anything related to travel still has a long way to go.

This is bad news for investors who are waiting for their portfolios to recover but great news for Canadian stock pickers. Many of these depressed stocks have nice upside potential. Let's take a closer look at one such company, a Canadian stock that could easily double or triple in just a few years.

You won't want to miss this one.

The skinny

Boyd Group (TSX:BYD.UN) isn't a sexy name, and it isn't in an exciting industry. This Canadian stock is a consolidator of auto body and glass automotive repair shops with a headquarters in Winnipeg. In total, the company owns nearly 700 facilities in both Canada and the United States, with approximately 80% of revenue being generated south of the border.

The collision repair business is a little different than your local automotive shop. Much of the revenue comes from insurance companies. These are much different customers than regular folks because they have the ability to bring in a lot of business without any of the associated costs of acquisition. Boyd Group works to have contracts with every major insurance company.

These deep-pocketed customers are also much more consistent at paying their bills than the average Joe.

The growth opportunity is the exciting part here. Both independent players and dealerships are getting out of the auto body and glass repair business. Boyd can buy these assets and add them to its network, immediately boosting the business by leveraging its existing contracts with insurance companies. Insurers want simplicity, and they get it dealing with a larger company like Boyd.

This Canadian stock has had excellent success making acquisitions. In 2019, it added more than 100 locations. And that's above and beyond the 186 locations it added in 2017-18. The company just raised a little over $230 million in a new share issuance — cash it will put to work making acquisitions.

It's just getting started

Boyd's long-term growth has been excellent. From 2013 to 2019, this Canadian stock increased its revenue from $578 million to $2.1 billion. Analysts see $2.2 billion in revenue in 2020 with that number increasing to $2.7 billion in 2021.

The bottom line is also projected to grow nicely. Analysts project net profits will surpass $6 per share in 2021.

I'm the first to admit this stock is hardly cheap. Shares trade at approximately 35 times 2021's earnings estimates and at an eye-popping 51 times trailing earnings. But one of the most important lessons an investor can learn is, valuation doesn't particularly matter for growth stocks. All the market cares about is the growth potential and how excited they can get about the name. This analyst agrees; this Canadian stock could easily be in the early stages of a huge growth phase. After all, there are plenty of repair shops outside North America once it conquers Canada and the United States.

The bottom line on this Canadian stock

Boyd Group is yet another way for investors to play the consolidation of the auto industry, which remains incredibly fragmented. We're in the early innings of this movement, which means investors who hop in today still have plenty of time to ride this trend.

If Boyd Group can continue making solid acquisitions and delivering good results, there's no reason why this stock can't continue to be a huge winner. I easily see potential upside of 100% to 200% in just a few short years.

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