



Buy Alert: This Billion-Dollar Pot Stock Is Poised to Crush the TSX

Description

When markets are volatile it makes sense to look at a business that will carry on irrespective of the macroeconomic situation. If you can find a business that has grown steadily through the years without a recession having too much impact on it, take a look at the business model and financials to consider the stock for your portfolio.

This TSX stock has a huge presence in North America

BOYD ([TSX:BYD](#)) is a solid company in a not-so-glamorous business. The company is a collision repair shop and has steadily grown over the last decade. It had less than 100 stores at the start of 2010 and now operates in almost 700 shops in Canada and the United States.

The company operates under Boyd Autobody & Glass and Assured Automotive in 132 locations in Canada. In the U.S., it operates under the banner of Gerber Collision & Glass in 566 locations.

A collision repair shop operates differently from regular auto repair shops. As the name suggests, a collision repair shop deals with accidents, and this business depends heavily on insurance companies.

BOYD's top five largest customers contributed 44% of revenue in 2019 with the largest customer contributing 15% of revenue. BOYD has deep relationships with insurers, which works in its favour as insurers prefer dealing with large chains because of simplicity and ease of doing business.

As BOYD keeps on its acquisition path, adding mom-and-pop stores to its roster, it will only get easier to sign work with more insurers. It helps that smaller shops and dealerships are getting out of the game. A [presentation released by the company](#) on June 1 says, "The total number of independent and dealership collision repair locations has declined by 23.1% from 2008 to 2018, and almost 60% over the past 38 years."

Great historical returns

The one area of concern for BOYD is its debt, which is on the higher side. The company's first-quarter results showed a net debt of \$399 million-plus lease liabilities of \$550 million with a net debt to EBITDA ratio of 1.9. However, the company has \$576 million of cash at hand.

The COVID-19 pandemic has impacted BOYD revenues, with April and May showing drops of 40%-50% from normal levels. However, I believe that as [people get out on the roads](#), BOYD's business should not suffer too bad a hit.

In 2010, BOYD was trading at less than \$6 a share. An investment of \$10,000 in BOYD on January 1, 2010, would be worth \$418,800 today. The stock has given a return of 4,188% since then.

Company revenues have grown at a compound annual growth rate (CAGR) of 22.02% in the last five years through to 2019. As people use less public transport, there will be more private vehicles on the road and that means continued business for BOYD.

The company has a clear focus on growth, and its shareholders trust the management to make the right calls. In December, its shareholders voted to convert the firm from a publicly traded income trust to a public corporation.

The vote removed a limit on non-Canadian stock ownership, which will allow more U.S. investors and other countries to invest in BOYD.

Analysts have given this stock a price target of \$220, and I believe BOYD won't disappoint.

CATEGORY

1. Coronavirus
2. Investing

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

Category

1. Coronavirus
2. Investing

Date

2025/08/28

Date Created

2020/07/12

Author

araghunath

default watermark