Alert: TSX Stock Reports Unexpected Sales Growth for Q1. Analysts Expect 928% Earnings Growth for 2021!

Description

AutoCanada (TSX:ACQ) stock rallied by 27% on Wednesday after management released preliminary first-quarter results that shocked the market. Momentum is strong after shares traded up by 70% so far this year, as the contrarian investor's dream stock generates growth in unexpected ways. Should you add ACQ stock to your 2021 growth portfolio today?

What makes AutoCanada stock stand out today?

The company is Canada's biggest car dealership group, and it has a growing presence in the United States. It sells both new and used vehicles and spare parts, and it offers maintenance services and customer financing.

Once a struggling company until 2019, AutoCanada stock has made a spectacular comeback post a painful restructuring exercise. Shares have rallied by 645% since the 2020 market crash after the company reported record revenues during the second half of 2020 while growing its earnings in triple-digit rates, even during the COVID-19 pandemic.

After a successful turnaround strategy, AutoCanada stock ticks many of the right boxes for growth-oriented investors to love today. Let's have a look.

AutoCanada to hit a record $4 billion revenue run-rate in 2021

In a Wednesday announcement, management released preliminary revenue estimates for the first quarter of this year. The numbers shocked the market.

The company guided for Q1 2021 revenue range of $960-980 million, reflecting a potential 36% year-over-year revenue-growth rate. That was awesome, the company's auto-retail sales industry is in a hot recovery. Considering that Q1 2020 revenue lies in a pre-COVID era, AutoCanada's quarterly sales have surpassed pre-pandemic run rates.

At the time of management's report, analysts expected Q1 sales of just $840 million. They have since increased the number by $100 million to reflect the new information. The market has adjusted its expectations after a nice surprise during the week. However, there's still some room for a positive sales surprise.

The updated expectation for ACQ's first-quarter revenue is $940 million. This still leaves room for a potential revenue beat, as the midpoint of management's guidance is $970 million before closing adjustments. If management was conservative in its guidance, sales could come above the mid-point. Could the company fail to beat its own revenue guidance? Let's be cautious, though; **Aurora Cannabis** once failed to score such a clear penalty in 2019.

Most noteworthy, AutoCanada's annual 2021 revenue is expected to reach the $4 billion mark for the first time ever. Analysts' updated revenue estimates on Friday show expected sales at $4.01 billion for this year — a 20.4% annual growth rate.

Same-store sales for new vehicles at 30% in Q1 continue to outperform the national market, which grew by 15% during the quarter for brands represented. This marks the ninth consecutive quarter of outperformance. Same-store sales growth was a staggering 43% year over year in the used car segment during the first quarter.

The company is successfully consolidating a fragmented market

The Canadian auto retail market is highly fragmented. Several family-run outlets and small dealerships are scattered across the provinces. AutoCanada, the only listed industry player, is consolidating the market through acquisitions. The company is very active on the acquisitions front, and the results are being accretive to both the top and bottom lines.

The company announced plans to increase the size of its private placement of unsecured senior notes by $100 million on Wednesday. Given a stronger, more liquid, and flexible balance sheet, the company is moving "forward confidently on acquisitions," the CFO said in Wednesday's news release.

ACQ is currently engaged with multiple potential acquisition targets. Potential deal values exceed $100 million. Management expects the first transaction to close within this quarter.

A larger AutoCanada is proving to be a more efficient one, as operating margins continue to expand.

Watch the strong earnings growth momentum

ACQ's turnaround strategy has produced phenomenal results. The company reported very strong earnings growth during the third and fourth quarters of 2020, and analysts expect the trend to persist into 2021. Net earnings for Q1 2021 could reach $0.11 per share — a 106% year-over-year growth rate.

Most noteworthy, the company could report its first positive earnings in four long years. After the painful years of severe losses, analysts expect earnings for the full year at $2.24 per share — up a staggering 928% from last year's $0.27 loss per share.

Interestingly, the company could potentially reinstate the suspended $0.10 per share quarterly dividend by next year. There's just too much to love on the re-organized ACQ today.

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