2 Top-Performing Canadian Stocks That Just Fell 10%

Description

Rather than waiting around for a stock market correction that may not hit when you expect it to, it may be worth reaching to the great Canadian stocks that are fresh off a 10% plunge.

It's these such names that may be less rattled by the next broader market sell-off as they look to bounce back from their own pullbacks. In a way, the following firms have already ripped the Band-Aid off, leaving contrarian Canadian investors with a potential buying opportunity as the markets continue chugging along.

The correction is now, at least for these two Canadian stocks

Consider **AutoCanada** (TSX:ACQ) and **Boyd Group Services** (TSX:BYD), two great Canadian companies whose share prices recently dipped into correction territory (a peak-to-trough plunge of at least 10%). Each name has its own reasons for selling off, and in this piece, we'll go into each name to see which name is a good fit for your portfolio.

AutoCanada

AutoCanada is a North American auto dealer that's been on a tear of late, with the Canadian stock blasting off over 900% from its March 2020 trough to its April 2021 peak. All it took was a year for the name to go from a dud to a major multi-bagger that profoundly rewarded the contrarians who bought, as others sold in a nearly 70% drop during the February-March coronavirus market meltdown.

While I'm not a fan of chasing stocks after multi-bagger gains, the recent 10% pullback may be worth buying a partial position (perhaps a fifth of a full position). Despite the incredible run, AutoCanada shares remain modestly valued at 0.4 times sales and 3.5 times book. If you think we're still in the early innings of the Roaring Twenties, auto sales probably have way more room to run.

With the bullish industry backdrop and continued more smart acquisitions likely on the horizon, I find it hard to believe that the name has peaked.

Boyd Group

Sticking with the auto theme, we have auto-repair shop company **Boyd Group** (TSX:BYD). The lesser-known firm has done a magnificent job of consolidating the fragmented North American auto body repair industry over the years, growing its bottom line at an incredible rate.

Boyd took a big hit to the chin on Monday, with shares plunging nearly 4%, bringing the stock down around 12% from last week's high. Fellow Fool contributor and reopening play bull Chris MacDonald recently praised the firm for its M&A track record, which, in his mind, was worth the premium price of admission.

I think he's right on the money. After Boyd's latest correction, the premium is the least pronounced it's been since the depths of last year. The Canadian stock trades at 2.4 times sales and 6.3 times book value.

With the reopening on the horizon, I'd say Boyd is one of the more compelling buys on the dip today. And unlike super-cyclical AutoCanada, which is extremely volatile, Boyd will be less prone to crashes come the next economic downturn, whenever this may be.

Better buy?

AutoCanada and Boyd are great auto plays that are fresh off a correction. Based on traditional valuation metrics, AutoCanada stock looks cheaper. But be warned, as shares of the auto dealer will fall under considerable pressure once the auto tides inevitably turn.

While Boyd is a pricier play, it's less reliant on the auto cycle. As more vehicles hit the roads, there will be more accidents. As such, I think Boyd is the better buy for most investors who are anxious about peak auto happening within the next two to three years.

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