1 Auto Stock That Is on Fire in 2021

Description

According to Statistics Canada, there are about 3,641 new car dealers in the country. Even if you factor in the difference in population, the number falls short of dealerships in the U.S. (17,563). That doesn't mean Canadians buy significantly few cars compared to U.S. consumers.

In February 2021, the number of new cars sold in the country accounted for 0.3% of the population, while in the U.S., the new car sales accounted for about 0.36% of the population, which is higher but not by as massive a margin as the disparity between new car dealerships.

One reason for this might be population concentration differences in both countries. But whatever the reason, car dealerships seem to be a thriving business in Canada — at least if you consider the stock of automobile dealership group **AutoCanada** (TSX:ACQ).

A thriving business

AutoCanada is an Edmonton-based North American car dealership group that currently sells vehicles of 21 automobile brands, including six out of Canada's nine most sold car brands. The dealership network is impressive and international. It has 50 franchised dealerships in the country located in eight provinces.

It also owns 14 franchises across the border, taking advantage of a more active market. Collectively, its 64 dealerships sold about 70,900 in 2019. Its Canadian sales account for 3.18% of the total car sales in Canada for the year.

The dealership group has an impressive presence, a decent range of brands it has access to (including a few luxury brands), and the business segments are well spread out. The company also has collision centres (19 in Canada), partnerships with auto parts sellers, service centres, and a separate business segment for pre-owned vehicles. Unless car sales in the whole country take a serious dive down, AutoCanada is expected to remain a thriving business.

A stock on fire

AutoCanada stock has grown over 123% since the beginning of 2021. It hasn't been a steady ascent, but the climb is impressive, nevertheless. And the growth is even more impressive if you stretch back a little further. If someone had bought into the company 12 months ago, they would have grown their capital by over 349% by now.

And the best part is that this growth doesn't come with a valuation that's "on fire." The price-to-earnings multiple is at 23.8 times, which, even if it's not fair, is very reasonable. The price-to-book multiple is slightly high at 3.9 times, and the volatility might be off-scale for some conservative investors (2.7 times).

But even at its current peak, the stock is nowhere near its prime valuation (mid-2014). Still, it's a powerful growth stock that's on a tear, and the growth is backed by stable revenues.

Foolish takeaway

AutoCanada might be one of the best Canadian growth stocks to invest in right now from both a valuation point of view and its growth prospects. Even if the company is not reaching its 2014 height, it might have the potential of doubling your capital before it runs out of momentum. However, you should also take into account factors like the price of gasoline and which car brands are becoming more popular in the country (and whether AutoCanada sells them) before making a buying decision.

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