



Strong Buy: 1 Auto Parts Stock Delivered a More Than 200% Gain

Description

Energy stocks were the [hottest items in 2021](#) due to the vastly improved pricing environment. However, one stock in the auto parts industry flew under the limelight but delivered outsized gains. **Uni-Select** ([TSX:UNS](#)), a leader in automotive aftermarket parts, rewarded investors with an enormous return of 210.48%.

Other stocks with related businesses like **Magna International** (+13.58%), **Exco Technologies** (+11.7%), and **Linamar** (+11.14%) delivered gains last year. As of January 7, 2022, the share price of this [growth stock](#) is \$23.90, or 207.2% higher than a year ago.

The \$1.08 billion company plays a critical role in the after-market supply chain. Also, the addressable market that consists of replacement parts, paint, and related products is huge. In North America alone, it's worth around \$337 billion. Uni-Select is present in Canada, the United States, Ireland, and the United Kingdom.

Extensive network

In Canada, Uni-Select has more than 16,000 automotive repair and collision repair shops plus 1,000 more independent customer locations in its national network. Its wholly owned subsidiary, FinishMaster, has over 145 automotive refinish company-operated stores in its network. In Ireland and the U.K., Uni-Select has more than 170 company-operated stores through its Parts Alliance group of subsidiaries.

Business performance

Uni-Select has yet to report its Q4 and full-year 2021 results, although the profitability in the first three quarters was strong. In the nine months ended September 30, 2021, total sales grew 9.7% to US\$1.21 billion versus the same period in 2020. The net loss of \$8.11 million was 69.3% lower than a year ago.

For Q3 2021, management reported 7% and 167.8% increases in total sales and net earnings.

Notably, adjusted earnings jumped 117.9% versus Q3 2020. Brian McManus, Uni-Select's chairman and CEO, said, "We are very pleased with our third-quarter results, which reflect ongoing operational improvement and continued sequential recovery in our business."

McManus added, "This strong profitability combined with active cash management translated into free cash flows of US\$37.0 million." Management used the free cash to reduce total net debt. Thus, Uni-Select's debt level went down to US\$314.9 million, the lowest level since Q2 2017.

Perfect complement

If finances allow, the perfect complement or partner to Uni-Select is **Automotive Properties** ([TSX:APR.UN](#)). The \$537.33 million growth-oriented real estate investment trust (REIT) owns income-producing automotive dealership properties. Would-be investors gain exposure to the Canadian automotive retail industry with strong underlying fundamentals.

The dealerships in the tenant base sell mostly Euro and Asian brands. They cater to the mass market segment up to the ultra-luxury customers. As of September 30, 2021, the REIT has 66 income-producing properties, and the weighted average lease term is 11.9 years. Also, the REIT derives rental revenue from triple-net leases.

In the nine months ended September 30, 2021, net operating income increased 5.8% to \$50.3 million. The REIT's net income for the period was \$75 million compared to the \$3.2 million net loss a year ago.

Automotive Properties is the only REIT with an exclusive focus on owning and acquiring automotive dealership properties. The real estate stock trades at \$14.33 per share and pays a [generous dividend](#) of 5.61%.

Strong buy

Uni-Select should be a strong buy. Despite the challenging environment, the stock outperformed last year. It should do better in 2022 and return much more versus 2021.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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2. TSX:UNS (Uni-Select)

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