Attention: Why Boyd Group (TSX:BYD) Stock Is up Over 10% Today

Description

Shares of **Boyd Group** (TSX:BYD) have risen by more than 10% today at the time of writing. The company released its Q4 results earlier today and reported revenue of US$516 million — an increase of 28% year over year. Comparatively, analysts expected the company to report revenue of US$506 million in the December quarter. We can see the revenue beat was the primary reason for the uptick in Boyd Group's stock price.

In 2021, the company's sales were up almost 20% at US$1.9 billion. Its same-store sales rose by 7%, despite a tight labour market, supply chain disruptions, and higher wages. However, its bottom-line was impacted, as adjusted EBITDA declined by 0.2% to US$219.5 million, while adjusted earnings slumped by 32% to US$28 million, or $1.30 per share, in 2021.

Boyd Group's operating cash flow stood at US$196.7 million, allowing it to increase quarterly dividends by 2.1% to $0.58 per share.

Is Boyd Group stock a buy?

Boyd Group has been one of the top-performing stocks on the TSX in the last decade. It has returned a spectacular 1,300% to investors since March 2022 after accounting for dividends. However, it's also down 40% from all-time highs, allowing you to buy the dip.

The company operates collision repair centres in the U.S. and Canada. These centres are operated under the Boyd Autobody & Glass and Assured Automotive names in Canada and under the Gerber Collision & Glass brand in the U.S. Additionally, it also operates as a retail auto glass operator.

Boyd Group added 127 new locations in 2021, which was a yearly record. These locations include 101 acquisition locations, 10 start-up locations, and 16 intake centres.

The company explained that financials in the first six months of 2021 improved steadily, as demand for services recovered due to the relaxation of COVID-19 norms. But as demand surged in the last two quarters, Boyd's ability to service the demand was impacted due to supply chain disruptions and a tight labour market.

Boyd's president and CEO, Timothy O'Day stated, "Throughout the second half of 2021, demand for services exceeded our capacity in all U.S. markets. In addition, supply chain disruption delayed the completion of many repairs and resulted in growing levels of work-in-process inventory."

Boyd has historically been able to recover labour cost increases by increasing selling rates. The company's management has secured pricing increases from a majority of its clients to reflect current market conditions. However, labour costs remain unstable, which suggests the bottom line for Boyd will remain inconsistent in the near term due to cost pressures.

The Foolish takeaway

Boyd Group remains a quality growth stock for Canadians. In the last three years, it has increased revenue at an annual rate of 21%, and analysts forecast top line to expand by another 24% in 2022. BYD stock is valued at an attractive price-to-2022 sales multiple of 1.2 and a price-to-earnings multiple of 46.

Analysts tracking BYD stock remain optimistic and have a 12-month average price target of $226, which is 39% above its current trading price.

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