1 Unfairly Battered Stock to Buy Before the Market Selloff Ends

Description

If you're looking to top up your TFSA or RRSP retirement fund before the best deals vanish from this market selloff, it may be wise to consider averaging into some of the low-multiple stocks before they're ready to move on from recession fears and inflation headwinds. It's never a good idea to underestimate the durability of proven firms that have lived through more than their fair share of economic downturns.

Without further ado, let's have a closer look at one intriguing TSX stock that may be worth nibbling on right here, as it looks to stage a comeback from a brutal first half. You may even wish for shares to continue plunging after you've had your first helping, so you can add to your position at lower prices.

The more young investors think about stocks as merchandise worthy of buying on sale, the likelier they are to accelerate the long-term wealth-creation process rather than pull the brakes.

Boyd Group Services: Demand strong; margin pressures are temporary

Consider shares of **Boyd Group Services** (TSX:BYD), an owner and operator of Canadian auto-body repair shops across Canada and the United States. In Canada, the firm goes by its flagship Boyd banner, with Gerber Collision & Glass as its banner in the United States.

The stock is recovering from a more than 50% haircut. At writing, shares are going for $161 per share — a far cry from the north of $250 level it peaked at in the back half of last year. Though the macro environment hasn't been kind to Boyd, I think the tides are slated to turn as soon as the second half.

The surge in gas prices may lead cash-strapped drivers to opt for cheaper forms of transportation. Still, with energy prices on the descent, I'd argue that Boyd will still see plenty of demand, as it looks to move past recent headwinds.

Boyd's margins and growth seem to have been weighed down by transitory issues that could fade away sooner than expected. High inflation and elevated labour costs have eaten into the company's margins in recent quarters. For the first quarter, EBITDA (earnings before interest, taxes, depreciation, and amortization) margins came in at a soft 9.7% — below the 10.4% expectation.

Further, difficulty in procuring certain parts (a lingering COVID headwind) has also been a sore spot for revenue growth. Despite headwinds, Q1 sales growth soared 32% year over year. Demand for collision services remains incredibly strong.

As conditions normalize, I'd look for Boyd's EBITDA margins to return to the double digits, while revenues continue holding steady in the 30-35% range. This could set the stage for a huge recovery in the stock.

The Foolish bottom line for long-term investors

Looking ahead, management is bracing itself from such margin pressures to continue in the second quarter. As inflation and other supply constraints cool, though, the latter two quarters of the year could see a lot of relief. And that's where I believe the big upside in the stock could come from. Long-term investors, take note!

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:BYD (Boyd Group Income Fund)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. joefrenette
2. kduncombe

Category

1. Investing

Date
2025/07/19
Date Created

2022/08/01
Author
joefrenette