



## Should You Buy AutoCanada (TSX:ACQ) Stock After Earnings?

### Description

**AutoCanada** ([TSX:ACQ](#)) is an Edmonton-based company that operates franchised automobile dealerships. Today, I want to discuss its performance throughout the year and look at its most recent earnings release. Is it worth snatching up in your portfolio before the end of the summer? Let's find out.

### How has this stock fared so far in 2022?

Shares of AutoCanada have plunged 31% in 2022 as of close on August 10. The stock is now down 48% in the year-over-year period.

The company entered the new decade in a period of transition. Sales had lagged and its leadership underwent a growth plan that met with impressive success. Its shares would sink below the \$5 mark during the [March 2020 market pullback](#). However, the stock was able to rise to a two-year high by the end of the same year.

Canada has seen the number of car dealerships rise steadily over the past decade. IBISWorld estimated that Canada's new car dealer market size was \$156 billion when 2022 began. It projected that this market was geared up to grow by 3.5% in 2022. That was based on an economy that was in recovery mode following the devastating [COVID-19 pandemic](#).

Unfortunately, soaring inflation has put a lot of pressure on consumers. This is especially true for vehicle owners, as gas prices have erupted since Russia's invasion of Ukraine in February 2022. That could cap automobile sales growth in the near term.

### Should you be encouraged by AutoCanada's recent earnings report?

AutoCanada unveiled its second-quarter fiscal 2022 earnings on August 10. It reported revenue of \$1.68 billion — up 32% from \$1.28 billion in the previous year. This represented the largest second-

quarter (Q2) revenue in the company's history. Net income rose to \$39.1 million compared to \$37.7 million in the second quarter of 2021.

EBITDA stands for earnings before interest, taxes, depreciation, and amortization. This measure is intended to give a more accurate picture of a given company's profitability. In Q2 2022, adjusted EBITDA increased to \$75.6 million compared to \$70.5 million in the previous year. Meanwhile, diluted earnings per share were reported at \$1.33, which is up from \$1.23 in the second quarter of 2021.

The company was powered by strong performance in its finance and insurance and service and collision repair businesses. Moreover, it continued to build on its United States operations. Gross profit also jumped 28% year over year to \$61.4 million. Used retail sales rose 33% to 4,469 units, while new vehicles sold fell 2.9% to 10,375 units.

## AutoCanada: Is it worth buying today?

Shares of AutoCanada currently possess a price-to-earnings ratio of 5.6. That puts this Canadian stock in very favourable value territory at the time of this writing. The Relative Strength Index (RSI) is a technical indicator that seeks to measure the momentum of a given security. This stock last had an RSI of 65. That puts the stock just outside of technically overbought territory, which is an interesting dynamic after its earnings release.

I'm looking to snatch up AutoCanada stock after its Q2 earnings release. It still offers attractive value while delivering on strong earnings growth.

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**Date**

2025/07/21

**Date Created**

2022/08/11

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