This Little-Known TSX Stock Has Huge Upside Potential

Description

Mid-cap TSX stocks can have considerable upside potential over the long run. Still, many are subject to a bit more volatility than your average blue-chip stock at the very top of the TSX Index or S&P 500. Mr. Market isn't the best at pricing mid-caps accurately. As a result, you can get steep corrections and melt-ups from time to time, typically around quarterly earnings season.

For venturesome investors willing to put in the homework, mid-cap stocks are an essential component to any long-term portfolio that aims to put the broader market averages to shame. In this piece, we'll have a closer look at one TSX stock that I think has a world of growth opportunities and a capable management team who can get the job done.

Boyd Group Services: A promising mid-cap that just went on sale

Consider **Boyd Group Services** (TSX:BYD), a $4 billion auto-body repair shop that's been taking over the North American scene. Over the years, shares of the name have delivered pretty consistent and solid returns, thanks in part to a prudent merger and acquisition strategy and resilient earnings.

The stock is fresh off a 50% plunge from peak to trough. After a 47% pop, shares are down 27% from the top and within striking distance of its $250-per-share high within the next year.

Indeed, fueling the downturn was supply availability issues, labour woes, and slightly fewer cars on the road as a result of high fuel costs. Higher insurance prices have also weighed heavily.

Fuel prices have come back down; traffic is steadily returning, labour issues are being resolved, and, in due time, supply chains will be back to full speed. In such a scenario, Boyd could find itself making new highs again at the drop of a hat.

Boyd stock takes a 50% haircut: Why it may be time to buy

Indeed, the 50% drop in the stock over transitory issues seems absurd. Though a big chunk of the losses has been recovered, I still think there's ample value to be had in the name, even as we enter a recession year.

In the latest quarter (Q2 2022), revenue soared 38% year over year to around $613 million. Same-store sales growth was up more than 22% year over year. EPS (earnings per share) of $0.63 came in at more than double the consensus ($0.30).

Undoubtedly, Boyd is navigating through a rough environment. As transitory headwinds pass, Boyd will be right back to beating the market again.

For now, investors should pounce at the opportunity to pick up shares at just 1.4 times price to sales, which is in line with the industry average.

The bottom line

Looking back, it's clear that Mr. Market had it wrong on Boyd. The stock probably should have never lost half its value as quickly as it did over headwinds that were temporary in nature. While headwinds could weigh for another 18 months, I think things are looking up for the stock and operations, as it looks to tackle its swelling backlog.

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