Why Uni-Select Stock Rocketed 66% in 2022

Description

If you're under the illusion that the year 2022 was terrible for all stock investors, then you should look at the recent stock price performance of **Uni-Select** (TSX:UNS). The shares of this Canadian company popped by 66.4% last year to $42.84 per share against an 8.7% decline in the **TSX Composite** benchmark.

Interestingly, this was the second consecutive year that UNS stock continued to beat the market by a wide margin. Previously in 2021, the stock delivered an outstanding 217.4% positive returns to investors. Before we discuss whether Uni-Select stock is worth buying right now, let's take a closer look at what factors have driven the stock price rally in recent years.

Key reasons for a rally in Uni-Select stock

In case you don't know it already, Uni-Select is a Boucherville, Quebec-headquartered firm that primarily focuses on distributing automotive refinish, industrial coatings, and other auto parts across North America and the United Kingdom. Based on its 2021 financial figures, the company made nearly 42% of its total revenue from the United States, while the remaining came from Canada and the United Kingdom. UNS stock currently has a market cap of $1.8 billion, as its stock trades at $41.41 per share after surging by 266.5% in the last three years.

After the COVID-19-related restrictions affected the demand for vehicles and auto parts, Uni-Select's sales fell by 15% YoY (year over year) to US$1.5 billion and reported an adjusted net loss of US$0.18 per share. Nonetheless, the company staged a solid financial recovery the next year, as its sales recovered by 10% from a year ago in 2021, despite economic challenges.

More importantly, improvements in the demand for its products and higher pricing helped Uni-Select post solid adjusted earnings of US$1.14 per share in 2021, which was much stronger than its pre-pandemic year 2019's earnings of US$0.73 per share. This was one of the key reasons why UNS stock popped by well more than 200% in 2021.

Although factors like inflationary pressures and rapidly rising interest rates emerged as big concerns

for most businesses in 2022, Uni-Select's financial growth remained on track. While the company is yet to announce its fourth-quarter results, its total revenue in the first three quarters of 2022 rose 7.8% YoY to US$1.3 billion.

Similarly, its adjusted earnings during these three quarters combined more than doubled YoY to US$1.42 per share. Despite higher delivery costs, last year's improvement in Uni-Select's profitability could be attributed to factors such as continued increases in the prices of its products, vendor rebates, and higher sales. These key factors boosted investors' confidence to trigger a sharp rally in Uni-Select stock, as it ended 2022 with solid over 66% gains.

What's next for UNS stock in 2023?

Some may call Uni-Select stock overvalued after it has delivered outstanding returns in the last couple of years. However, it can still continue to soar in 2023, I believe, as the company continues to focus on ways to improve its long-term fundamental growth outlook. For example, Uni-Select completed the acquisition of Maslack Supply Limited and related real properties to help it expand its presence in Ontario. Its management considers this deal to be "the most significant acquisition" since its turnaround started in the second quarter of 2021.

Consistent, growth-oriented steps like these should help Uni-Select post strong business growth in the year to come and help its stock keep soaring.

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Date
2025/08/17
Date Created
2023/01/11
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