



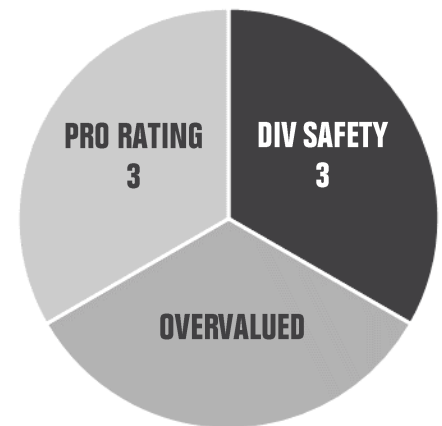
DSR STOCK CARD

07/15/2019

UNI-SELECT (UNS.TO)

Business Model

Uni-Select Inc is a distributor of automotive products and paint and related products for motor vehicles. It operates in FinishMaster US, Canadian Automotive Group and The Parts Alliance UK segments. FinishMaster is engaged in the distribution of automotive refinishes, industrial paint and related products. Canadian Automotive Group is involved in the distribution of automotive aftermarket parts, including refinish and industrial paint and related products and the Parts Alliance segment is engaged in the distribution of automotive original equipment and aftermarket parts, serving local and national customers across the UK.



The Company in a Nutshell

- The company derives most of its revenue from the FinishMaster US segment.
- UNS faces many challenges such as margin pressure at FinishMaster U.S.
- UNS performance improvement plan is expected to bring additional annualized costs savings of \$10.0M.

Investment Thesis

It's hard to find something positive about Uni-Select looking at its past. Going forward, FinishMaster (47% of revenue) will face fierce competition in the U.S. and subsequent margin pressure. Uncertainties around the Brexit will affect The Parts Alliance U.K. (24%) and don't expect an economic boom in Canada (29%). Management counts on its restructuring plan to make the business leaner and more profitable. We are not talking about growth here; but about building a better business model. While SYZ is following its improvement plan with success, there are better opportunities in the industry (Magna International just to name one).

VALUATION

Dividend Growth Rate Years 1-10: 2.00%

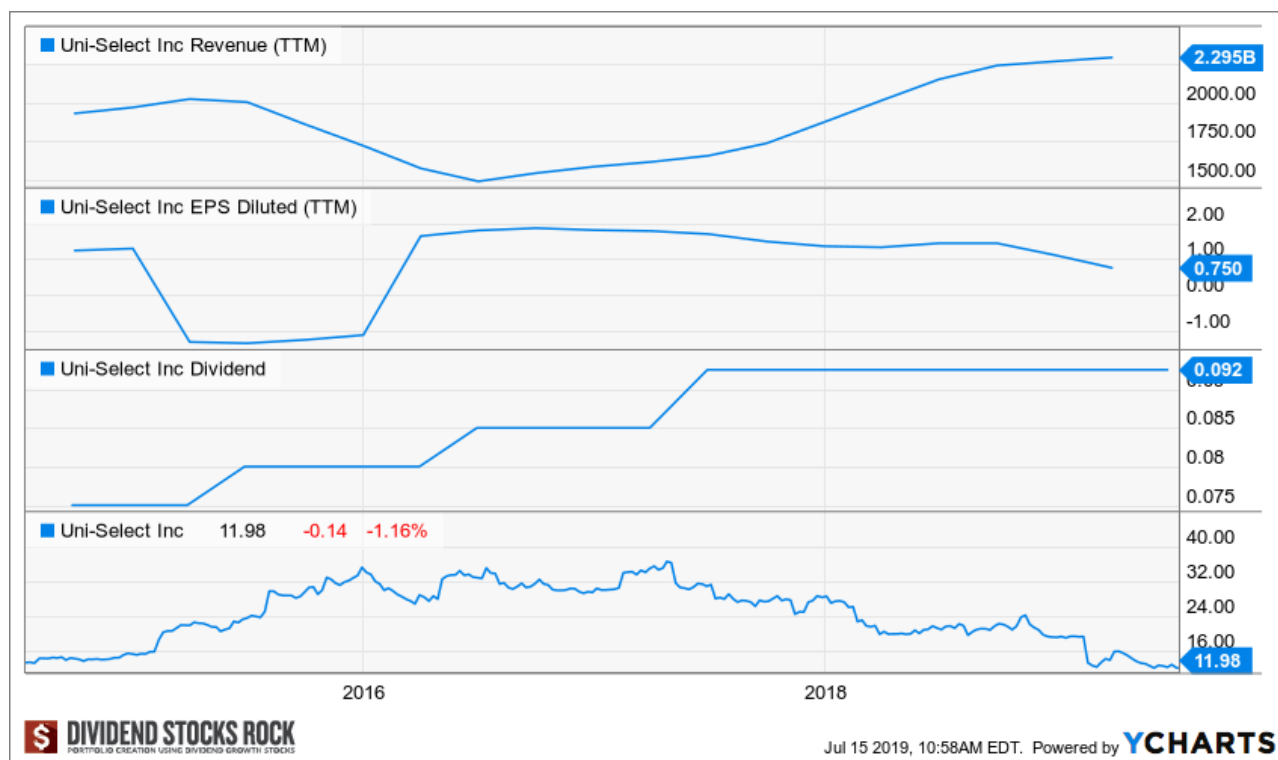
Terminal Dividend Growth Rate: 2.00%

Price on 07/15/2019: \$11.98	Discount Rate (Horizontal)		
Margin of Safety	9.00%	10.00%	11.00%
20% Premium	\$6.47	\$5.66	\$5.03
10% Premium	\$5.93	\$5.19	\$4.61
Intrinsic Value	\$5.39	\$4.72	\$4.19
10% Discount	\$4.85	\$4.25	\$3.77
20% Discount	\$4.31	\$3.77	\$3.35



DSR STOCK CARD

07/15/2019



HOLDING: GROWTH

SECTOR: CONSUMER CYCLICAL

BETA: 0.380

DEBT/EQUITY: 0.815

YIELD: 3.09%

5-YR REV. GROWTH: 4.28%

5-YR EPS GROWTH: 4.79%

5-YR DIV. GROWTH: 7.24%

PE RATIO: 15.98

FWD PE: 11.76

PAYOUT RATIO: 49.42%

CASH PAYOUT: 43.49%

Potential Risks

The automobile industry is highly cyclical and UNS must deal with demand fluctuations from one year to another. The company now faces more uncertainties due to trade war and Brexit along with higher costs of raw materials. It looks like the party is over and it's time to clean-up. If you are interested in catching a falling knife with some play money, you can take the risk. Fortunately, it seems that all risks have been considered and priced. Still, proceed with caution.

Dividend Growth Perspective

While UNS shows a great dividend growth history, it seems this all belongs to the past now. The dividend hasn't been changed since 2017. If UNS doesn't increase its dividend by the end of 2019, it will lose its dividend safety score of 3. We are under the impression that future cash flow will be used to fuel growth instead of providing a larger paycheck to shareholders.