Picking An Auto Part For Safety

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by: Christopher VanWert

Summary

- The Economic Outlook Is Dampening With The Yield Curve.
- Auto Part Retailers Traditionally Perform Well In Recessions.
- We Look At The Top Three To Make A Pick.

Trying to find safe investments as the U.S. stock market continues to soar will always get an investor dirty and confused. The endless questions of why you’re not making nearly as much as everyone else is on the current hot technology stock or newest IPO that your kids are excited about can be draining. But when the market turns, your stomach won’t, and your investment account won’t be drained.

I’ve been trying to find another pick in my expanding selection of stocks that weathered the last recession well and either have a promising future moving forward or currently underestimated value. My two previous picks were Church & Dwight ($CHD) and Hasbro ($HAS).

There are three auto parts retailers that are all located in the U.S., Advanced Auto Parts ($APP), Auto Zone ($AZO) and O’Reilly Automotive ($ORLY). Adding one to your portfolio could add diversification and some amount of safety in the form of good performance during economic downturns. After verifying their performance during the last recession, the question moves to which one? We analyze and compare recent performance, earnings calls, growth prospects and valuations in other to arrive at our answer for best pick.

Summary of the three companies

Advanced Auto Parts was founded in 1929 as Advance Stores Company. They are an automotive aftermarket parts provider to professional installers and individual customers. They operate stores and branches under the trade names of “Advance Auto Parts”,...
“Autopart International”, “Carquest” and “Worldpac” with a total of 4,966 stores and 143 branches. 66% of their sales come from Parts and Batteries, 20% from Accessories and Chemicals and 13% from Engine Maintenance. Its market cap is 11.8 billion.

Auto Zone was founded in 1979 and is the nation’s leading retailer of automotive replacement parts and accessories in the United States. They are also a leading distributor but are not #1. They have 5,618 stores in the U.S., 564 in Mexico and 20 in Brazil. Its marke tcap is 24.5 billion.

Comments (11)

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Our basis in ORLY is $8.81/ share. Current value is about $380 more than that. I will stick with the horse I came on.
26 Mar 2019, 03:54 PM

Christopher VanWert, Contributor
Author’s reply » I believe that ORLY is still a strong pick and clearly the market believes in its current and future growth. Sticking with what's performed well and shows no negative signs I think is a fine strategy.
26 Mar 2019, 08:02 PM