This Consumer Staples Stock Is Ridiculously Cheap Right Now

Description

As a Buffettarian investor (a firm follower in the investment philosophy of Warren Buffett), I'm always on the hunt for a wonderful business that's trading at a hefty discount to its intrinsic value. If you buy a stock without knowing the real value of what you're getting, you may be speculating instead of investing without even realizing it!

Thus, a significant amount of due diligence is required to enable an investor to get something for "free" when they purchase a particular security. As Warren Buffett once put it, "Price is what you pay; value is what you get."

Today, **Alimentation Couche-Tard Inc.** (TSX:ATD.B) is a stock that I believe is trading at a huge discount to its fair value.

The longer-term chart suggests that the company is seeing its growth stagnate, but that's simply not the case, as the global convenience store industry is still extremely fragmented, leaving many potential acquisition opportunities to explore over the next decade and beyond. With this in mind, Couche-Tard appears to be an earnings growth story that's still in its infancy despite its massive size.

A premier growth stock for the ages

Once the company has a chance to unlock the full synergy potential from its recent CST Brands and Holiday acquisitions, there's little question that management will be pulling the trigger on more deals while keeping its debt under control. This will not be an M&A spree for the sake of driving up the short-term stock price, however, as management is disciplined enough to sit on its hands if the price isn't exceptional or if large-scale synergy opportunities aren't present.

In other words, Couche-Tard's management is ridiculously cheap. They're not going to invest a penny in a takeover unless a "1 + 1 = 3" scenario is possible with a high degree of certainty. As such, once the M&A floodgates re-open again, shares of Couche-Tard will rally upon the announcement of a takeover because shareholders know that the acquisition stands to produce significant value over the long-term.

Shares are the cheapest they've been in years!

Couche-Tard's management team is a master at creating hidden long-term value that may not be recognizable over the short-term. After pulling the trigger on the largest acquisition to date, one can only expect silence from the company as debt is reduced to make way for more M&A deals. Although it appears that the CST Brands acquisition has failed to generate a substantial boost to earnings, investors must realize that the full extent of the synergies aren't fully realized just yet, and they'll need to exhibit patience until the implied EPS boost has a chance to move the trajectory of the stock.

Moreover, both external (poor weather conditions, higher fuel prices) and internal (supply chain issues) factors have negatively influenced recent quarters; however, these factors appear to be temporary. Shares could thus make up for lost time down the road as dampened expectations make way for a potential upside surprise once the perfect storm" of issues plaguing the company subside.

At just 13.5 times forward earnings, Couche-Tard is an absolute bargain when you consider that some analysts are calling for over 30% EPS growth over the next year once the company is able to unlock the full synergies from its recent acquisitions.

The stock currently trades at a 3.2 P/B, a 0.5 P/S, and a 11.7 P/CF, all of which are substantially lower than the company's five-year historical average multiples of 21.9, 4.6, 0.6, and 14.3, respectively. It definitely appears that investors have a chance to pay a value multiple for a growth stock that's capable of delivering a double-digit EPS growth over the foreseeable future.

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