A Soaring Stock at 52-Week Highs I'd Buy Right Now

Description

Value investors and stocks trading at 52-week highs (or all-time highs) don't go well together.

To us value-conscious investors, the last thing in the world we want to do is to risk overpaying for a stock. We don't get caught up in the hype train as many other investors do, and that's because we find the prospect of paying a dime to get a dollar more attractive than hunting down "the next big thing."

We'd rather look to the list of stocks trading near 52-week lows rather than those hitting new 52-week or all-time highs because such "in-favour" stocks are probably trading at hefty multiples. That's not always the case though, so shunning any basket of stocks based on something so arbitrary may not be of the best interest of even the most value oriented of investors.

Why?

All investing is value investing, as Warren Buffett once said in his annual meeting with **Berkshire Hathaway** shareholders. Even the seemingly expensive stocks based on traditional valuation metrics like price-to-earnings multiples can be "cheap" through the eyes of a value investor should the intrinsic value of the company be higher than the price that you'll end up paying.

Motley Fool co-founder David Gardner also encourages investors to "not to be afraid of buying at 52-week highs." The stocks within the 52-week-high basket are clear winners, and some may be overvalued, but not all of them are when you consider the long-term growth story in your valuation models.

So, now that you're more open to buying stocks at 52-week highs or all-time highs, as sometimes the best investors do, enter **Alimentation Couche-Tard** (TSX:ATD.B), a red-hot stock that's been posting new all-time highs on a pretty consistent basis over the past year. Not only is the name posting high double-digit earnings-growth numbers thanks to the firm's proven M&A growth model, but the company is also capable of sustaining such growth numbers in spite of its hefty $49.4 billion market cap.

The convenience store consolidator has a growth strategy that works, and it's not slowing down for anybody. As a result, the stock of the convenience store giant has posted massive returns for investors over the years, and as management readies to pull the trigger on another synergy-generative deal, I think the current rally is not about to run out of steam any time soon and that new all-time highs will continue to be posted as we enter the latter part of the year.

To make the Couche-Tard story even more attractive, it's one of the few consumer staples on the TSX. As such, the high-growth name is also a way to play defence.

It's the perfect blend of hyper-growth, low beta, and defence. It sounds like a stock you'd pay 50 times earnings for. But, to your surprise, the name doesn't trade at 50 times, 40 times, or even 30 times earnings!

At the time of writing, Couche-Tard stock trades at 19.5 times next year's expected earnings, which is absurdly expensive given the magnitude of predictable growth you're getting and the defensive characteristics of the business. If that's not a value investment, I don't know what is.

Sure, Couche-Tard is roaring to new all-time highs, but the stock still isn't exactly what you'd consider expensive when you take the time to appreciate the firm's growth prospects.

Now, that's the kind of 52-week-high stock that even a value investor would love!

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