



## This Undervalued Growth Stock Could Double in 2020

### Description

We're in [a stock picker's market](#) right now. Stocks are moving sharply based on broader sector rotations and with that comes a higher chance that Mr. Market will misprice any given stock.

So, instead of focusing on short-term noise based on shallow economic projects, look to individual companies and their valuations for a chance to pay two quarters to get a dollar.

**Alimentation Couche-Tard** (TSX:ATD.B) is one example of what I believe is a stock priced at a considerable discount to its intrinsic value. The company is firing on all cylinders and is on track to meet its goal of doubling net income within five years.

Many positives are going on at the company-specific level, including positive comps trends, yet sell-side analysts don't seem to give the name the respect it deserves. Analysts at TD Securities downgraded Couche-Tard stock to a "hold" rating in mid-July when the stock was close to all-time highs, citing "valuation" and their belief that positive same-store sales (SSS) comp trends would not last.

I don't know about you, but a stock trading at around 20 times trailing earnings doesn't seem expensive to me for a proven double-digit earnings grower that's poised to go on the cusp of another accretive acquisition that's sure to be rich with synergies.

Couche-Tard stock had soared around 60% from trough to peak by the time the name got downgraded at TD Securities, and while such a run may be reason enough for an investor to [take profits](#), I don't think the downgrade on the name was at all warranted given the progress made behind the scenes.

At time of writing, Couche-Tard trades at just 18 times next year's expected earnings and 0.57 times sales, a low price to pay given revenues and net income have grown by 20.1% and 15.5%, respectively, on an annualized basis over the last three years.

Given the recent strengthening of fuel margins, positive SSS comps may be more challenging to sustain on paper, but I wouldn't underestimate the capabilities of management given they've been pulling out all the stops to drive in-store traffic via promos like "Rock, Paper, Prizes" and new fresh food

options catering to specific localities.

Moreover, Couche-Tard has been slowly chipping away at its debt to ready itself for another significant acquisition, possibly in a higher-ROE c-store market like Southeast Asia. Add Couche-Tard's initial stake in cannabis retailer Fire & Flower into the equation, and it becomes apparent that management has ample growth drivers to not only meet its expectations of doubling profitability in five years but exceed it.

I'd take the recent breather in Couche-Tard stock as a gift.

Sell-side analyst downgrades have likely been acting as an overhang on the name, but in the end, it will be earnings that'll dictate the trajectory of the stock. So, given the encouraging trends and promising growth outlets that could allow the firm to sustain double-digit growth numbers, I fail to see how Couche-Tard is overvalued enough to deserve a "hold" rating.

If Couche-Tard continues playing its cards right, expect the stock to make up for lost time in 2020, as investors come to realize the company is not going into hibernation again.

Stay hungry. Stay Foolish.

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