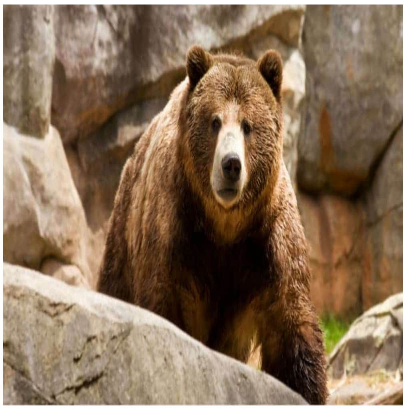

This Stock Could Triple When the Bear Market Is Over!

Description

After stock prices collapsed 20% this week, we're now officially in a bear market. Bear markets are indiscriminate. When panic sets in, investors sell the best companies along with all the rest, creating opportunities for investors on the sidelines with cash on hand.

One such opportunity seems to have already emerged this week: **Alimentation Couche-Tard Inc.** (TSX:ATD.A)(TSX:ATD.B). The Quebec-based convenience store chain has been on my radar for months, as I was convinced it was undervalued. Now, the stock is down 5.7% over the past few days alone and another 9.4% today. In other words, it's an absolute steal.

Here's why.

Bear market resistance

The company owns and operates 15,000 stores and gas stations globally, including in the United States, Europe, Mexico, Japan, China, and Indonesia. This level of geographic diversification is rare among Canadian convenience chains.

Diversification should buttress the impact from economic problems in any particular region. However, the gas station and convenience store business is relatively immune to the upcoming recession or ongoing pandemic anyway. In other words, it's a safe haven.

Unlike most safe havens, however, this stock actually has potential for growth.

Growth potential

The core growth engine for Couche-Tard is consolidation. Buying and rebranding stores in Europe and the U.S. should help the company expand. This should get easier in a global recession, where property prices plunge and small businesses are selling for lower valuations.

The company has also made two interesting bets that could spur growth further. First, it picked up a hefty stake in legal cannabis producer **Fire and Flower**, giving it exposure to one of the most interesting emerging sectors in North America.

Second, the company has been testing and gradually rolling out a network of electric-vehicle chargers in Europe. This should safeguard the company's business when oil and gas are eventually replaced by electric transport at the end of this bear market.

Valuation

Perhaps the best reason to consider Couche-Tard at the moment is its surprisingly low valuation. The stock trades at just 14.6 times trailing earnings per share, which implies an earnings yield of 6.8%.

The stock is also trading at an enterprise value-to-sales ratio of 0.95. Historically, this ratio has been between three and four, which means *the stock could triple* when market sentiment recovers after the bear market.

Best of all, the stock has plenty of cash to sustain its dividend despite the economic crisis. The payout ratio was a mere 9.9% last year. The company also has $1.16 billion in cash and cash equivalents on its books — enough to cover dividends for more than five years!

Bottom line

We're officially in a bear market now that stocks have lost more than 20% of their value. Long-term investors should seriously consider adding exposure to beaten-down opportunities like Alimentation Couche-Tard.

The company is diversified enough to withstand this ongoing economic crisis. Couche-Tard outlets are spread across the world and shouldn't suffer a demand shock even in a recession.

I believe the stock's valuation is low enough to justify a long-term bet at this stage. Stay safe!

CATEGORY

1. Dividend Stocks
2. Investing

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