



Market Selloff: Buy This Quality TSX Stock at a Bargain Price

Description

Market selloffs are the best time to invest in equities, as quality stocks are [available at a bargain](#). Shares of companies are getting hammered due to the rapid rise in the number of COVID-19 cases. However, it is hard to tell when the bloodbath will stop. Also, it is difficult to judge whether a stock is undervalued or a value trap.

To clear up the confusion, I use simple parameters to pick stocks that are trading at a discount and are good long-term bets. To narrow my hunting ground, I consider companies that have performed exceptionally well in the past. However, their stocks are quoting low due to the broader market selloff. Moreover, these companies should be able to easily navigate tumultuous times, like the one we are in, and recover fast when the market returns to normal.

One such stock on my buy list is **Alimentation Couche-Tard** (TSX:ATD.B), which fits in nicely in all the parameters discussed above.

Why bet on Alimentation Couche-Tard?

Alimentation Couche-Tard has impressed with its strong financial performance over the past several years. Alimentation Couche-Tard's revenues have increased at a CAGR of 16% from 2011 to 2019. Meanwhile, EBITDA rose at a CAGR of 22% during the same period. Also, adjusted EPS increased by 22% from 2011 to 2019.

The company's exceptional growth came after strategic acquisitions as well as continued strength in the underlying business. Alimentation Couche-Tard has completed 60 deals since 2004, adding nearly 10,200 stores to its network.

In the nine months of fiscal 2020, revenues remained muted owing to the lower average selling prices of fuel and planned divestments. However, organic sales sustained momentum, which is positive. Further, both the adjusted EBITDA and adjusted EPS have grown at a healthy rate.

Alimentation Couche-Tard's resilient business model is likely to perform well under the present

economic scenario, where growth has slowed and uncertainty prevails. Investors should take note that convenience store operators generally report above-industry sales growth during [recessions](#). The company's value proposition, extensive store base, and margin-friendly product mix make it immune to economic downturns. Moreover, its strong balance sheet and capacity to invest in business are likely to fuel future growth.

Alimentation Couche-Tard is also an investor-friendly company, implying that it continues to boost shareholders' returns through higher dividends and share repurchases. Alimentation Couche-Tard's dividend per share has increased at a CAGR of 27.8% from 2011 to 2019. Meanwhile, during the third quarter of fiscal 2020, the company increased the quarterly dividend by 12%.

Bottom line

Alimentation Couche-Tard continues to expand its market share in the U.S. through improved in-store offerings. Moreover, expansion in emerging markets is likely to accelerate growth. Alimentation Couche-Tard remains well positioned to benefit from the ongoing strength in its base business. Also, strategic acquisitions will supplement growth further.

Alimentation Couche-Tard stock looks attractive on the valuation front. Alimentation Couche-Tard stock has corrected about 18% so far this year and trades at a P/E ratio of 13.6 times. Strong earnings and dividend growth makes it an attractive long-term bet. Hence, it's prudent to accumulate Alimentation Couche-Tard stock in stages, as the negative market sentiments could continue to remain a drag in the near term.

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