Stash This Cheap Growth King in Your TFSA

Description

The **TSX Index** just rebounded at a staggering rate, but that doesn't mean the opportunity to snag bargains is gone. There are still ample undervalued opportunities to pay less to get more.

This, if you were one of many beginner investors waiting for the bottom but got left behind, now is as good a time as any to start buying the names on your watch list.

A TFSA growth king I've personally backed up the truck on amid the market crash

Alimentation Couche-Tard (TSX:ATD.B) strikes me as a growth king that's severely undervalued amid and even after the bounce off the bottom. Consumer staples are rare on the TSX. As we head into a recession, the scarcity premium to the name ought to become more pronounced as investors wake up to the bargain.

While the devastating impact of the coronavirus (COVID-19) could stand to hurt comps and store traffic over the near-term, I am a fan of the name as a play in the post-pandemic recession era. Nobody knows how long it's going to take for furloughed employees to be back at work.

Some folks think we're in for a severe recession, and if that's the case, you're going to want to batten down the hatches by playing defence.

With Couche, playing defence doesn't have to be tedious and unrewarding. While defensive investing is more about protecting wealth rather than growing it at an above-average rate, with Couche, you're able to do both and at what I believe is a sizeable discount to the underlying intrinsic value of the company.

In many prior pieces, I praised Couche's exceptional management team for their ability to sustain highly profitable double-digit growth. While many firms can grow at a double-digit rate or with a high return on invested capital (ROIC), fewer firms can do both. And of those firms, fewer can do both sustainably over a long period.

You see, over extended periods, it becomes harder to support high double-digit growth rates, especially while keeping ROIC numbers elevated. Firms can sacrifice ROIC for growth, but it's a move that seldom creates meaningful value for long-term shareholders.

Despite being a massive company, Couche is able to continue growing fast and very profitability, not just because of the vast market opportunity, but also because the management team knows how to create value like it's nobody else's business.

Moreover, the company is capable of holding its own and even taking advantage of opportunities during times of economic hardship, making Couche one of my favourite forever stocks on the TSX.

Growth by acquisition at its finest

Acquiring big and acquiring often is not how to create value. It's a good way to raise debt and put investors at risk. Couche knows that acquisitions are a double-edged sword that can either destroy value or create it depending on circumstances.

If you overpay for an acquisition for the sake of impressing analysts, and lack the skill set to produce meaningful synergies and cost savings, your risk of value destruction as a result of making an acquisition stand to increase.

With Couche, though, management ensures due diligence and will only pull the trigger on a deal if it produces value. With the best managers in the c-store industry, Couche is in a position to get a reasonable price for acquisitions while maximizing synergies from every single deal it makes.

That's why the stock soars on a deal an acquisition rather than pulling back like with most other acquisitions whose value creation (or destruction) is uncertain.

In addition, Couche keeps its debt levels in check, minimizing risks to investors during cash crunching crises like unforeseen pandemics.

Foolish takeaway

Couche is a defensive growth king that can sustainably grow at a very high ROIC over time. The secret sauce to Couche's long-term success lies in a brilliant management team that knows the ins and outs of the industry and how to use M&A to create shareholder value.

M&A doesn't create value itself; management has to work its magic to produce the "1 + 1 = 3" synergies that allow for substantial value creation.

The stock deserves a massive premium, but right now, you can pay a mere 0.5 times sales or 8.7 times enterprise value/EBITDA to get in the name after the recent market-wide turmoil hit the stock.

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