



This Iconic Canadian Stock Just Hit a Massive Buy Signal

Description

Alimentation Couche-Tard (TSX:ATD.B) is one of the few mega-caps out there that can sustain impressive double-digit growth numbers without compromising on the ROIC (return on invested capital) front. The brilliant managers running the show know how to create value through M&A like it's nobody else's business.

While other firms make moves for the sake of making moves, Couche Tard only pulls the triggers on deals when there's a reasonable opportunity that ample value can be created for long-term shareholders. That's why Couche stock pops on the announcement of a deal, unlike many other acquirers, which tend to sell-off on an announcement.

You see, Couche has the expertise and talent to be the "best potential owner" of any convenience store business. The company knows the ins and outs of the industry like few others. Couche's exceptional stewardship is the source of its greatest advantage, and that's why Couche can (and probably will) continue to defy the odds en route to reaching its ambitious goal of doubling profits in five years.

Technically sound and positioned for a pop

While we're all about the fundamentals here at the Motley Fool, however, I do think it makes sense to have a look at the technicals to support an already sound long-term investment thesis.

A bullish bottom wedge pattern looks to be in the works and implies a move past all-time highs to the \$50 mark over the medium-term. When you consider the undervaluation in shares and the fact that Couche is one of few consumer staples on the **TSX Index**, the bottom wedge technical pattern will likely come to fruition, which implies around 19% worth of upside over the coming weeks.

Solid fundamentals at a stellar price

Shifting back to the fundamentals, Couche has an enviable liquidity position in this coronavirus crisis.

The company recently walked away from its pursuit of Caltex Australia and has more than enough to not only survive the [coronavirus typhoon](#) but come out on the other end with a massive 'steal' of a deal.

Call Couche lucky if you will, for not having scooped up Caltex prior to the coronavirus crisis, but I believe Couche stock ought to be trading a heck of a lot higher given its superior standing in an environment that will be most unkind to its less-than-stellar peers in the global convenience store market.

Couche sports a solid 0.8 quick ratio, a stellar 1.21 current ratio, with nearly \$2 billion worth of cash (and cash equivalents) on hand as of the end of Q3/F20. As we navigate further into this unprecedented crisis, Couche is also in a position to suffer minimal damage to its operating cash flow stream relative to most other non-staple businesses out there.

Shares of Couche also look [unsustainably undervalued](#) at 3.4 times book and 10.1 times enterprise value/EBITDA, both of which are lower than the stock's five-year historical average multiples of 4.4, and 12.3, respectively.

Foolish takeaway

If you're looking for a timely bargain amid the volatility, I'd pounce on Couche before it has a chance to break out to and above all-time highs.

Couche stock looks both fundamentally and technically sound, and even insiders are eating their own cooking, with a considerable amount of net insider buying activity at around \$40.

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Date

2025/09/28

Date Created

2020/05/26

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