Breakout Alert: This Stock Just Hit a Major Buy Signal

Description

We're all about sound fundamental analysis here at The Motley Fool. That said, it can't hurt to have a gander at the technical story to reinforce your fundamental investment thesis. Whenever the fundamental and technical theses are in alignment, the undervalued stock under question may be a timely investment that should be scooped up by long-term investors and traders alike.

Consider shares of **Alimentation Couche-Tard** (TSX:ATD.B), which recently broke out to new all-time highs at $46. The convenience store kingpin has demonstrated tremendous resilience amid this pandemic, and with an encouraging pilot project with cannabis retailer **Fire & Flower** in the province of Alberta, it's clear that Couche-Tard's management team isn't ready to take its foot off the growth pedal yet.

Let's have a closer look at both the fundamentals and technicals today to determine whether you should be buying as the name looks to breakout to new heights amid the pandemic.

Fundamentally speaking, Couche-Tard looks severely undervalued

As one of the few consumer staples on the **TSX Index**, Couche-Tard deserves to trade at a lofty premium. The company has an operating cash flow stream that stands to be less impacted should COVID-19 cases surge again, as well as a solid balance sheet after having walked away from its pursuit of Caltex Australia.

Management has a knack for creating value through both acquisitions and divestments, while also continuing to innovate to drive strong organic comps at its existing locations. Indeed, few others in the industry know the M&A game better than Couche-Tard, with CEO Brian Hannasch at the helm.

Couche-Tard's incredible due diligence and willingness to venture into new markets (such as cannabis retail) makes it more likely that it can continue sporting high-ROIC growth despite its size.

With a very fragmented industry that's chock-full of acquisition opportunities, Couche-Tard is undoubtedly in a fortunate spot, as it looks to spread its wings.

At the time of writing, shares trade at 3.7 times book and 9.6 times EV/EBITDA, both of which are below that of Couche-Tard's five-year historical average multiples of 4.3 and 12.1, respectively.

Given the calibre of low-risk growth you're getting, Couche-Tard ought to trade a heck of a lot higher than its current multiple and believe that a bit of multiple expansion could be in store over the coming weeks and months as the stock looks to breakout.

A significant breakout to $55?

Couche-Tard has a bottom wedge (or bottom triangle) pattern that could suggest a major upward breakout to $55, implying nearly 20% upside from today's levels. Shares have barely broken all-time high levels, making the intermediate-term bullish pattern more likely to come to fruition.

Of course, technical analysis is not an exact science, and the pattern could breakdown at any moment, either due to company-specific issues, a broader market pullback, or exhaustion in the appetite for cheap defensive growth stocks.

Regardless of whether the technicals hold, Couche-Tard stock looks like a cheap fundamentally sound long-term investment at today's valuations, as the growth story, I believe, hasn't been fully appreciated by Mr. Market.

I'll be watching Couche-Tard very closely over the coming weeks and may consider adding to my personal position if Couche-Tard stock can break the $47 mark.

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