



This Severely Undervalued Stock Could Double!

Description

Mr. Market doesn't serve picture-perfect pitches very often, but when he does, it's your job as an investor to be ready to swing for the fences while your chances of hitting a grand slam home run are high. As you're probably aware, Mr. Market isn't always efficient at setting a market value of a stock that's within its intrinsic value range. Whenever Mr. Market sets the price too low on a given stock, you should be ready to back up the truck and hold your position until he has a chance to correct his mispricing mistake to the upside.

When you get a good pitch, you should swing!

In today's pandemic-plagued environment, Mr. Market is just plain inefficient at pricing stocks with any degree of accuracy. That's a major reason why the market waters have been that much rougher for most of the year. This kind of highly volatile environment is where self-guided investors can shine, as excess choppiness grants investors a higher chance of being able to pay a dime to get a dollar, so to speak.

Since severely-undervalued bargains don't come around too often, when they do, investors shouldn't feel reluctant to back up the truck on shares, especially if they see catalysts on the horizon, such as earnings releases, that could allow a name to correct to the upside.

One timely, undervalued stock I see today is hiding in plain sight on the **TSX Index**. And unlike most other stocks that depend on the advent of a coronavirus vaccine to prove their undervaluation, the following name can continue outperforming, regardless of when the pandemic will end or how many further outbreaks we'll be in for before the COVID-19 can be conquered. The firm is one of those defensive growth stocks that can help investors build wealth without needing the economy to bounce back in a V- or K-shaped fashion.

Enter Couche-Tard: A defensive growth king that trades at a lofty discount

The firm I'm speaking about is **Alimentation Couche-Tard** (TSX:ATD.B), a convenience store kingpin that's grown via smart M&A moves and comps-driving initiatives over the years. The company has a robust operating cash flow stream that will hold up in the face of further COVID lockdowns (convenience stores are essential businesses that tend to see fewer visitors but larger basket sizes amid lockdowns).

Not only that, but Couche-Tard boasts one of the strongest liquidity positions out there after having walked away from its pursuit of Caltex Australia amid surging COVID-19 cases.

With so much dry powder on the sidelines, many investors wonder why Couche-Tard, a firm with a track record of having the urge to merge, isn't making moves. The company sports an incredible 1.43 current ratio alongside a 1.1 quick ratio, with barely any debt due over the near-term. While Couche-Tard has the capacity to scoop up an elephant amid this crisis, it's been quite silent to the discontent of investors.

As I've noted in prior pieces, CEO Brian Hannasch is all about conducting M&A with the ultimate goal of creating long-term investor value. If there's no value creation to be had, he and his team will gladly sit on their hands until an opportunity arises that's able to produce enough synergies to justify integration risks and efforts.

While many may view the relative lack of acquisition activity as a negative, I'd say the firm's ability to pull the trigger on a massive deal or slew of smaller deals is reason enough to slap Couche-Tard with a "timely" rating, especially at its rock bottom valuations.

Today, shares are off just 6% from its highs. However, the name is still in severely undervalued territory, with the stock trading at a ridiculous 9.0 times EV/EBITDA and 3.4 times book value, both of which are substantially lower than that of the stock's five-year historical averages of 11.9 and 4.2, respectively.

Foolish takeaway

As a defensive growth king that's [locked and loaded](#) with enough liquidity to pull the trigger on needle-moving deals, I fail to understand why shares are as low as they are in the midst of a pandemic-plagued environment. Once Couche becomes more active, I suspect the [undervaluation](#) will be corrected, and shares of ATD.B could easily double in three years.

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