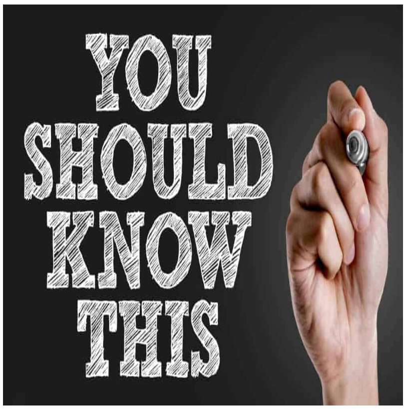

Worried About a Post-Election Market Crash? Here's a Growth Stock at a Value Multiple

Description

The U.S. election jitters showed signs of fading on the big day. But over the coming weeks, as investors have a chance to digest the results, one should expect uncertainties to pave to way for further volatility. If a post-election plunge brings us back into correction territory, I'd get ready to load up on value stocks that could make a profound return at the expense of their mostly pandemic-resilient growth counterparts.

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This piece will look at one Canadian stock that I believe is at high risk of becoming a baby that'll be thrown out with the bathwater. The name fits into the category of either a growth or a value stock. Despite its promising long-term growth profile, I think it could easily be grouped in the latter category, as it's shed its growth multiple in recent months and could be at risk of falling deeper into value territory, making the name a top pick in a broader growth-to-value rotation.

The intersection between growth and value is where you'll want to be post-election

Without further ado, consider **Alimentation Couche-Tard** (TSX:ATD.B), the owner and operator of convenience stores around the globe. The firm has primarily grown via M&A. However, management has been unlocking a considerable amount of same-store sales growth of late.

In prior pieces, I urged investors to buy the stock for its brilliant management team and incredible liquidity position, both of which I thought would pave the way for an elephant-sized deal that would allow for substantial long-term value creation in the form of synergies.

Although it seems like the Couche-Tard (which translates to Night Owl) has gone to sleep, management is likely active with its pursuit of potential acquisition candidates. The company walked away from Caltex Australia a few months ago due to pandemic-related uncertainties. Should pressures continue to weigh on the already stressed Caltex, count me as unsurprised if Couche gets the pricethat CEO Brian Hannasch and his team are looking for.

Patiently waiting for bargains in the c-store space

Such a big deal would give Couche a front-row seat to the high-ROIC Australasian region and serve as a foundation for further expansion into the untapped region. Couche is poised to continue spreading its wings across an extremely fragmented global c-store scene.

The multiple on Couche stock suggests the best days of growth are over. But I think that’s a huge pricing error made by Mr. Market, one that could be corrected within 18 months. For a firm with double-digit earnings growth potential and an ambitious target of doubling net income in five years, the 3.1 times book and 0.7 times sales “value” multiples make no sense and I would encourage investors to initiate a position today while shares are unfairly thrown into the value basket.

Foolish takeaway on Couche-Tard

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Couche-Tard is one of the more misunderstood **TSX** stocks out there. At 13.3 times trailing earnings, the name is a value stock that actually has the fundamentals of a double-digit earnings growth stock. Once management becomes more active on the M&A front, I suspect shares could re-gain their premium price tag and wouldn’t at all be surprised to see the name enjoy a massive amount of multiple expansion such that shares sport a trailing price-to-earnings (P/E) multiple north of the 20 times mark.

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Date
2025/08/02
Date Created
2020/11/05
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