TFSA Investors: This Undervalued Growth King Could Skyrocket in 2021

Description

Young TFSA investors should look to invest in high-growth companies to maximize their portfolio's wealth creation and the profound but difficult-to-fathom effects of tax-free compounding over the long term. If y0u've got a conservative asset allocation because you're a bit more rattled by volatility than the average investor, that's okay.

It takes time to gain your market "sea legs."

In due time, you'll become more comfortable with volatility and taking risks on early-stage growth companies. For now, however, you should look to the Canadian firms that are at the intersection between growth and value. Many millennials may think that you have to choose between being a growth or value investor when, in reality, there may be minimal differences between the two. As the great Warren Buffett once put it, "all investing *is* value investing" in that you seek to buy stocks with the intention of paying a price below intrinsic value.

Maximizing TFSA growth at the intersection between growth and value

With certain undervalued growth stocks such as **Alimentation Couche-Tard** (TSX:ATD.B), you're not only able to nab shares at a discount to their current intrinsic value, but you'll also be able to benefit from intrinsic value creation over the long haul. Couche-Tard is a fine firm with an excellent management team that knows how to create value via M&A like it's nobody else's business.

You may know the firm for its track record of juicing synergies from acquisitions it makes. However, what you may not realize is that the firm also creates value via strategic divestitures and asset swaps, as well. When it comes to the M&A game, it's not all about debt-fueled acquisition sprees. Acquisitions, dispositions, and asset swaps each play a vital role in optimal value creation.

Just as Couche seeks to pay a dime to get a dollar when going on the hunt for acquisitions, the firm also seeks to rid itself of assets that may not have a desirable return on invested capital (ROIC) over the long haul. If a piece doesn't fit quite well in the overall jigsaw puzzle, Couche will make a divestiture if it makes sense and use the proceeds to invest in businesses that can help the firm maximize its ROIC.

TFSA investors should play the long game

Couche is all about the long-term game. It couldn't care less about appeasing near-term traders by making deals for the sake of making deals. You see, Couche has a track record for producing value from nearly every move it makes. As you may know, most acquirers tend to sell-off on the announcement of a deal, as lofty premiums tend to be paid on top of an acquirees' current market value. With Couche, TFSA investors know that the odds of the premium price tag on an acquisition will be lower (possibly substantially lower) than that of the potential synergies.

Couche knows value-creative M&A like few other businesses with the urge to merge. And the company is fully deserving of a premium growth multiple. However, it doesn't possess one at this juncture, despite being capable of double-digit top- and bottom-line growth. Couche also has an opportunity to expand upon its margins further with its fresh food rollout, among other margin-driving initiates that could help the firm achieve its ambitious target of doubling its net income in a five-year timespan.

Foolish takeaway

At 13.3 times trailing earnings, Couche is nothing short of a steal in my books. The stock retreated following some stunning results on Wednesday, and I think it should be viewed as an early Christmas gift courtesy of Mr. Market.

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Date
2025/07/01
Date Created

2020/11/26
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