



Could This Unloved Earnings Growth King Be a Millionaire-Maker Stock?

Description

The stock market has seemed unstoppable since the good vaccine news was delivered by **Pfizer** and **Moderna** in early November. While there are pockets of overvaluation in this market, perhaps even isolated bubbles in dire need of correction, I don't think that such froth should keep value-conscious Foolish investors on the sidelines. Why? Even if a white-hot stock like Tesla were to implode on itself, the damage will be mostly contained.

You've probably heard some people talking about the tech bubble and how today's market seems to rhyme with the one of the late 1990s. While there are many overvalued stocks in the tech sector, I don't think the magnitude of euphoria is even comparable to the run-up to the 2000-2001 dot-com bust. Many tech leaders have real fundamentals, and they're gushing with cash.

That said, even if a vicious correction in the tech sector were to cause the broader markets to retreat, most investors who stayed in their lane (those who didn't go all-in on the hottest tech stocks) will be fine, as were value investors like Warren Buffett who took profits and steered clear of bubbles in the years before the dot-com crash.

Deep-value bargains hiding in plain sight on the TSX

I see many dirt-cheap bargains on the **TSX Index** today. So, if you're looking for real value, earnings growth, and actual cash flows, and not just the "[sexiest](#)" stories on Wall or Bay Street, consider shares of **Alimentation Couche-Tard** (TSX:ATD.B), an out-of-favour EPS grower that I think has been unfairly neglected by investors for a majority of the year. The company has been remarkably resilient, crushing earnings amid the pandemic. Yet, a vast majority of investors don't seem to care.

While the firm may not be "[sexy](#)" enough to be on the radar of today's hungry near-term-focused Robinhood speculator, I do think that the risk/reward of Couche is compelling enough to be at or around the top of your holiday shopping list ahead of the 2020 Santa Claus rally. Not only is the firm a historically great "value" at today's prices, but it's also capable of double-digit growth for years to come.

Couche-Tard stock doesn't get the respect it deserves

Convenience store kingpin and (former) serial acquirer Couche-Tard has gone nowhere for over a year now. As you may know, the longer a stock consolidates, the greater the magnitude of the pop will be whenever it happens. Couche's valuation has fallen to unfathomably low levels, as largely unrewarded earnings growth has compressed the stock's price-to-earnings (P/E) multiple to ridiculous depths.

Today, the defensive growth stock trades at just 14 times trailing earnings, which I find to be a pricing blunder by Mr. Market, given Couche's best growth days are likely still ahead.

I'll admit that Couche hasn't been as active as it could have been amid the crisis, given the magnitude of its cash and credit balance. While investors would have appreciated larger or more frequent acquisition activity, I think the company was deserving of a round of applause for not getting into a bidding war with 7-Eleven for Speedway's assets. I thought 7-Eleven paid far too much and that the odds of value destruction from the deal are high.

In due time, I think Couche will be re-valued to the upside by investors, perhaps once management gets more active on the M&A front. In the meantime, investors can enjoy solid, resilient earnings growth due to the firm's margin-enhancing efforts across its existing locations.

With a sustained margin boost and a potential re-acceleration of the top line on the horizon, I wouldn't be surprised if the stock popped to \$60 within the next 18 months.

CATEGORY

1. Investing
2. Stocks for Beginners

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Investing
2. Stocks for Beginners

Date

2025/07/31

Date Created

2020/12/28

Author

joefrenette

default watermark