



## 2 Top TSX Value Plays to Buy in an Overvalued Market

### Description

Economic data is increasingly pointing to the idea that the stock market may be overvalued at these levels. Record-low interest rates appear to be the glue holding these valuations together right now. However, should inflation numbers prove to be more than transitory, growth stocks could take a hit.

That said, there are long-term growth plays that remain buys in this environment. Among these, **Alimentation Couche-Tard** (TSX:ATD.B) and **Restaurant Brands** ([TSX:QSR](#))([NYSE:QSR](#)) are two of my [top picks](#).

Here's why.

### Alimentation Couche-Tard

As far as value goes, Couche-Tard is one of the best growth-at-a-reasonable-price plays on the market today.

Currently, this company trades at a valuation multiple of only 15 times earnings. Compared to the broader market, that's a very cheap valuation right now.

Why's that?

Well, Couche-Tard's core business (namely, gas stations and convenience stores) doesn't seem to be in favour with investors right now. On the one hand, you have the [ESG](#) folks that won't touch gas stations. On the other, you have growth investors worried about a lack of M&A activity and the direction the company is headed.

Furthermore, the pandemic has provided some strong headwinds to the company's core business.

Nevertheless, I view these issues as transitory (to put it in the fed's terminology). Couche-Tard has a proven long-term track record of delivering value, and I don't see that changing. The company's valuation is simply too cheap to ignore at these levels today.

Maybe things aren't as bright as they once were, but they're certainly not so dim. Value investors will want to gobble up shares of Couche-Tard while they're still cheap.

## Restaurant Brands

As far as quality growth stocks go, Restaurant Brands has been one of my top picks for a long time.

This purveyor of fast-food banners such as Tim Hortons, Burger King, and Popeyes Louisiana Kitchen is a world-class operator in a highly defensive sector. Indeed, as far as earnings quality goes, I think Restaurant Brands is one of the best picks on the TSX today.

Restaurant Brands currently trades around 40 times earnings. While this number may seem high at first glance, QSR has garnered a much higher valuation in the past. The key issue causing this valuation discrepancy is mainly the headwinds caused by the pandemic, as well as concerns about inflation on the company's long-term margins. Additionally, the company's Tim Hortons banner has been underperforming for some time and is the black sheep of the group.

However, Restaurant Brands's management team has been making all the right moves to fix its internal issues. When we come out of this pandemic, I think Restaurant Brands will be a leaner, meaner competitor. And brand value is everything to long-term investors. Accordingly, this is a stock to consider buying in this current environment today.

### CATEGORY

1. Dividend Stocks
2. Investing

### POST TAG

1. investing
2. market
3. Retail
4. value investing

### TICKERS GLOBAL

1. NYSE:QSR (Restaurant Brands International Inc.)
2. TSX:ATD (Alimentation Couche-Tard Inc.)
3. TSX:QSR (Restaurant Brands International Inc.)

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