



## A Top TSX Stock to Watch in July 2021

### Description

It's been a [rocky](#) June of trading for many TSX-traded companies. Central bank commentary in response to the recent uptick in the rate of inflation is on investors' minds. While it may seem tempting to take drastic action in response to what could be a handful of interest rate hikes that could begin in a year and a half from now, I'd argue that the best course of action is to stay the course! And if a name on your watchlist plunges alongside the broader markets, you should scoop up some shares.

### My top TSX stock to watch this July 2021

Consider **Alimentation Couche-Tard** (TSX:ATD.B), a misunderstood convenience store retailer that's fallen under [considerable pressure](#) in recent months.

The name is no fans of higher inflation, as grocery items stand to take a harder hit versus items with greater purchasing power. Regardless, I think the recent damage done to the TSX stock is overdone, especially when you consider inflation will likely be transitory in nature.

### Buy Couche-Tard while it's sleeping

Couche-Tard, which translates directly to "Night Owl," is a Quebec-based convenience retailer has been quite sleepy over the past two years. The firm used to have the urge to merge. These days, management is more focused on driving organic growth through various initiatives, including fresh foods and a store co-location pilot with budding cannabis retailer **Fire & Flower Holdings**.

While there hasn't been much in the way of M&A, it's noteworthy that the firm has been very busy behind the scenes. Not only is Couche-Tard focused on beefing up its merchandise business, which tends to command much higher margins than fuel sales, but the company is also exploring technological initiatives that could transform how we view the convenience store business.

## Plenty of innovation going on behind closed doors

Undoubtedly, Couche-Tard is keen on transforming itself for the new age. That means charging stations, **Amazon** Go-esque grab-and-go payments, more hot food and fresh options, and other items you'd be likelier to find at a grocery store than your local Circle K.

Such efforts may not be paying dividends now, but in due time, I think the company will regain the respect of investors. Moving into the post-pandemic world, I expect fuel and merchandise sales the surge, providing a nice boost to the bottom line.

Moreover, the company looks ready to pull the trigger on what could be its biggest acquisition to date. The news of a convenience store chain acquisition could potentially be a major needle mover for the TSX stock. In addition, Couche may be more inclined to go after a grocery chain, which could cause a mixed reaction in the stock.

Earlier this year, Couche's failed acquisition attempt of **Carrefour** took a toll on the TSX stock. The margin-eroding nature of a grocery deal wasn't to the liking of investors.

Still, I suspect a grocery store acquisition is already baked in. Unlike other investors, I'm all for a grocery acquisition. Why? I think a grocery supply chain would make Couche-Tard's existing convenience store much more valuable. I think investors forget that Couche-Tard is a proven growth company with a high double-digit top- and bottom-line growth rate. For 14.2 times earnings, Couche-Tard is nothing short of a steal for investors willing to look past the noise.

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