Canadians: 1 Deep-Value Stock I'd Buy Over BlackBerry

Description

Deep-value investing isn't everybody's cup of tea. Not only are opportunities to pay a dime to get a dollar few and far between, but the confidence, conviction, and patience of investors who seize such opportunities will be put to the test.

Just have a look at legendary deep-value investor Prem Watsa — a man we know as Canada's Warren Buffett. He's the best at tuning out the noise and focusing on what really matters: the long-term fundamentals. He holds shares of **BlackBerry** and has looked foolish (lower-case *f*, folks!) for doing so, given the stock has done nothing but tread water. Still, he's investing for the next five, 10, and even 20 years and couldn't care less about what happens over the near to medium term.

Undoubtedly, investing is about getting from point A to point B over the course of many years and less about the rockiness of the road in between. So, if you've got the traits to be a deep-value investor, consider going against the grain with some of the TSX's more misunderstood names, some of which trade at considerable discounts to their intrinsic value.

Alimentation Couche-Tard: The king of convenience

Enter **Alimentation Couche-Tard** (TSX:ATD.B); the company can't seem to catch a break these days.

Heck, it's as though investors want to find reasons to throw in the towel on the name, despite its promising growth trajectory. Yes, convenience retail is ridiculously boring, but over the next decade, it's about to change in a big way, and Couche-Tard will play a huge role in the transformation of convenience stores as we know it.

Electric vehicle (EV) charging stations, greater fresh food offerings, quality hot food, improved décor, and seating are all going to be major components of the convenience stores of tomorrow. And Couche is ready to take advantage of the technological shift, with more than enough cash and credit to put to work. The company's latest $1 billion "green" bond offering has largely gone unnoticed. But I think it's one step in Couche's profound transformation into the new age of convenience retail.

Moreover, the convenience store industry is still consolidated, and many less-liquid convenience store players will be put between a rock and a hard place, as technological shifts push them to invest in adapting or be acquired by a dominant player like Couche-Tard.

The road ahead

Moving forward, Couche is hungry for a grocery acquisition. If it buys a grocery store's supply chain, its competitors in the convenience store space will be in a very tough spot, as consumers demand more from visits. As many convenience stores feel the pressure, that's when I suspect Couche-Tard will pounce and acquire firms at below their intrinsic value. That value will go straight into the pockets of shareholders in the form of higher dividends and a surging stock.

In the meantime, Couche-Tard may be quiet on the M&A front. But it has a war chest, and it will put it to use when the time comes. If you view Couche-Tard as a tech stock that just so happens to be in the convenience store space, as I do, the valuation seems ridiculously unsustainably low at just 14 times earnings.

You'll need the patience of a true deep-value investor to reap the full extent of the long-term rewards, though.

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