1 Top Canadian Stock That's Cheaper Than the S&P 500

Description

The S&P 500 looks very frothy to a lot of people. While the existence of such froth may not be indicative of an imminent correction, I think it'd be wise to insist on value, rather than finding a way to justify above-average multiples across various bid-up U.S. names. For Canadians, I believe there's never been a better time to invest domestically. Oil prices are surging, the financials look in great shape with rate hikes likely on the horizon, and the loonie is (finally) in a position of strength versus the American greenback.

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Moreover, in a recent note, **Bank of America** recently advised investors to check out Canada for value, as the S&P 500 continues its unprecedented ascent into the summer season. Undoubtedly, Canadian investors, especially those overweight in U.S. securities, should think about buying local over the coming weeks and months. Although it may be a wise idea to make use of the stronger loonie by picking up U.S.-traded shares, the greater relative abundance of value on this side of the border, I believe, may make it smarter to invest in the TSX-traded favourites.

Heck, I'd argue that the Canadian dollar could get even stronger from here and that the **TSX Index** looks to be the better "horse" to bet on, as it stands neck and neck with the beloved S&P 500.

My takeaway? Take Bank of America's advice. Seldom do they guide investors north, unless there's a noticeable discrepancy in valuations.

One noticeable deep-value stock on the TSX is hiding in plain sight. Convenience store darling **Alimentation Couche-Tard** (TSX:ATD.B) looks like one undervalued candidate that could put the broader S&P 500 index to absolute shame over the next 18 months.

Alimentation Couche-Tard: Highly misunderstood and ridiculously cheap

Couche-Tard is a consumer staple stock that also has a lengthy growth runway ahead of it. The convenience store industry isn't the most exciting out there. Still, Couche is a leader in the space, and it’s likely to push the entire old-school industry into uncharted territory over the next decade.

Convenience stores are all about selling time back to their customers. The c-stores of the future will have greater food offerings, shorter checkout times, and a far better customer experience. Undoubtedly, the c-store industry hasn’t changed much over the decades.

With the advent of electric vehicles, which will bring forth the need for charging stations, and increased competition on the fresh food front, c-stores are going to need to make an expensive pivot, but it’s one that could allow the fully equipped c-stores to take share from major grocers, especially if Couche-Tard can acquire a grocery giant’s supply chain and effectively leverage it across its vast c-store network.

What about valuation?

Couche-Tard has sailed through the COVID-19 storm far better than most other retailers. Still, muted fuel sales and visits have curbed higher-margin merchandise sales. Over the near term, as restrictions lift, Couche-Tard could get a nice boost, and I don’t think such a boost against favourable year-over-year comparisons is fully reflected in the share price.

The stock trades at 14.6 times earnings, which is on the lower end of the historical range.

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Heck, shares look so cheap that I don’t think investors are paying enough merit to the company’s long-term growth trajectory. Couche will still conduct accretive M&A once it finds the right deal. In the meantime, expect Couche to future-proof its business to enhance the convenience and value proposition for its consumers.

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