



Why Couche-Tard Stock Could Be the Best Pick on the TSX Right Now

Description

[Finding undervalued stocks](#) to add to one's portfolio in today's stock market is not an easy task. With stock prices taking off recently, most investors find themselves walking away from high-growth options due to their valuations. Fortunately, there is one TSX stock that fits the bill perfectly.

Alimentation Couche-Tard (TSX:ATD.B) is one of North America's top convenience store chains with an impressive global presence. Moreover, this company seems to have a robust financial outlook and excellent long-term growth potential.

Here's why I think Couche-Tard is one of the best picks on the TSX right now.

Couche-Tard stock: Efficient operations and impressive financials

Couche-Tard has a coast-to-coast presence across North America and a significant market share in several parts of Europe. It's a major global player in the gas and convenience store space and has shown impressive long-term growth. According to this company's estimates, it may double its earnings per share in the next five years. If the company can manage it, Alimentation Couche-Tard could potentially be one of the best growth plays on the market.

The company has recently completed a global rebranding project under the Circle K banner. Despite the high valuations in the sector preventing large acquisitions, Couche-Tard has an impressive balance sheet and numerous opportunities for more consolidation. According to Chris Li, an analyst at Desjardins Securities, this company can still achieve EPS growth of more than 10%. However, Couche-Tard will need the help of higher fuel margins, organic growth, and the ability to buy back shares.

While there have been few challenges in the sector, like rising labour costs and low cigarette sales, Couche-Tard's scalable and effective pricing model can offset these pressures.

Economic reopening will lead to rapid improvement

The pandemic-induced economic slowdown has caused most of Couche-Tard's woes. With many employers not requiring employees to commute to the office, gasoline demand has fallen, leading to losses. However, everyone has to reemerge from their cocoons sooner or later, and that is when Couche-Tard stock will soar.

At the time of writing, Couche-Tard stock has a [valuation multiple](#) of roughly 20 times its earnings and a dividend yield of 0.7%. Indeed, shares of this company have been severely undervalued for quite some time, trading at a price-to-earnings ratio of 15 for most of 2021. Hence, experts are of the opinion that the Couche-Tard stock will provide a high dividend yield for investors willing to wait out the slow growth in the short term.

Bottom line

Currently, shares of Couche-Tard have become less of a deal compared to where they were earlier this year. However, I still think Couche-Tard stock provides excellent value for long-term investors. Given where the average market multiple is today, it's hard to find a premium stock trading at this kind of valuation.

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