



## 1 Warren Buffett Tip to Help You Make Money Consistently

### Description

Here's a famous Warren Buffett quote: "It's far better to buy a wonderful company at a fair price than a fair company at a wonderful price." So, [Warren Buffett](#) encourages investors to buy wonderful businesses at good valuations.

The stock market provides ample opportunities for investors to do so. The first step is to identify wonderful businesses. After that, determine the valuations of the stocks and consider buying the ones that are trading at good valuations.

Let's go through an example.

### Alimentation Couche-Tard: A wonderful business

A wonderful business will make its long-term investors rich. In the last 10 years, **Alimentation Couche-Tard** (TSX:ATD.B) has delivered annual total returns of about 26% per year. Essentially, it was more than a 10-bagger — a \$10,000 initial investment grew to more than \$100,000. In the same period, the stock increased its dividend at an even faster pace.

The growth stock's strong returns are attributable to the excellent capital allocation of the company. Since 2012, Couche-Tard has maintained high returns on equity (ROE) of at least 21%. Its five-year ROE is about 23%.

Over the decades, the convenience store consolidator has expanded its global network to approximately 14,200 stores (now under the Couche-Tard or Circle K brands) across 26 countries and territories.

Here's an overview of the geographical picture. About 9,261 of these stores are in Canada and the United States. It also has more than 3,000 stores across 10 countries (in Europe and other regions, such as Hong Kong). Additionally, it has nearly 1,900 stores under licensing agreements in 14 countries and territories.

Management believes that its recent acquisition of Circle K in Hong Kong will make it a new platform for growth in Asia. Organic initiatives will also play a bigger role in the company's growth going forward, as [Couche-Tard](#) has grown into a much larger company than it was a decade ago.

For example, Couche-Tard is using data analytics for localized pricing, assortment, and promotions at a store-by-store level, which can lead to greater value creation.

About 76% of its locations also offer road transportation fuel. Growing global demand for transport energy with a rebound in travel activities post-pandemic should bode well for the company.

## Is the stock at a fair price?

Analysts come up with different estimations for a company and evaluate the stock as being undervalued, fairly valued, or overvalued at a time. One analyst could be biased. Consequently, the average price target from a large group of analysts should be more accurate and trustworthy.

At writing, 15 analysts think Couche-Tard can trade at about \$57.71 per share in 12 months. At \$49.10 per share, the stock is discounted by about 15% based on the average analyst price target. For a wonderful business, a 15% discount is considered to be undervalued.

Investors are welcome to make their estimations and throw it into the pool as well. If, say, your price target is \$60. Then the average price target would be \$57.85, calculated by  $(\$57.71 \times 15 + \$60) / 16$ .

Keep in mind that valuing a stock is just an estimation. And that estimation will change as the underlying business changes. Of course, in the long run, we expect that a wonderful business will grow to be even more valuable and that the price target will increase.

## The Foolish investor takeaway

You should make money consistently by buying wonderful businesses when they're trading at good valuations. First, identify a list of wonderful businesses by using stock screeners. Or they could simply be ideas you come across through reading stock investing articles or watching YouTube videos. Second, go through the list periodically to identify which may be undervalued. Then consider buying the wonderful businesses when they're cheap.

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