



1 Canadian Stock I'd Buy by Year-End

Description

Canadian stocks are in a bit of [an odd spot](#) heading into year-end, with commodity prices beginning to cool down and the central bank ready to hike rates for the first time in a long time. While higher rates [don't bode well](#) for capital-intensive companies, it's worth noting that many of the top Canadian stocks are more likely to follow in the footsteps of the American markets and the moves of the U.S. Federal Reserve.

Undoubtedly, the U.S. market heavily influences the global markets such that a nation's own policies may be less of a needle mover. Indeed, many **TSX**-traded companies are heavily exposed to the states, some of which conduct a majority of their business in the U.S. or international markets.

While rate hikes in Canada are a hot topic of discussion, all eyes will still be on the U.S. Fed, which the Bank of Canada will likely not want to deviate too far from a monetary policy standpoint.

In this piece, we'll have a look at one Canadian stock with heavy U.S. exposure that should be able to do well over the next decade, even if rate hikes come at a faster rate.

Undervalued, underrated and ready to grow

Consider **Alimentation Couche-Tard** (TSX:ATD.B), a global convenience store giant with a considerable amount of exposure to the U.S. market. The company, which had grown primarily via strategic M&A and divestments, is navigating through a confusing period. Technological disruption is in the air, and the company needs to pivot to make the most of the situation. Undoubtedly, the rise of electric vehicles (EVs) is the number one trend that Couche-Tard's managers have been paying close attention to in recent years.

Couche-Tard's fuel sales are poised to fade gradually over the years, as more EVs replace traditionally gas-powered vehicles. It's perceived as a major negative for the c-store giant, which derives a big chunk of revenues via fuel sales. But investors should view the transition as an opportunity. If Couche-Tard plays its cards right, the transition to charging stations could bring forth profound earnings growth. Fuel margins pale in comparison to merchandise sales.

Over time, charging stations will gradually replace fuel stations. With that, consumers will have more time to kill as they wait for their EVs to power up. Indeed, a grocery store acquisition makes a ton of sense, even if investors don't like it. Couche-Tard's purchase of a grocery store supply chain could turn the company into more of a disruptor.

Although the pursuit of French grocery chain Carrefour was shot down nearly immediately by France's government, I do think that management is on the right track, as it explores deals slightly outside of its circle of competence.

Couche-Tard: Many verticals to change for the better

There are many verticals that Couche-Tard could expand to, most notably grocery, cannabis, and quick-serve restaurants. The company already has a nice stake in **Fire & Flower Holdings**, giving Couche some cannabis experience that could really pay off should the U.S. be next in line to bring forth nationwide legalization. Moreover, Couche-Tard's fresh food offering has hit the spot with consumers. If it can double-down on the area with a North American grocery chain, there are many reasons to be bullish on c-stores of the future.

Finally, partnering with a quick-serve restaurant located within a c-store seems like another natural move for Couche-Tard. Recently, Starbucks and Amazon joined forces to launch their Starbucks-equipped Amazon Go store (or is at an Amazon Go-equipped Starbucks?). Perhaps Couche-Tard could partner with Tim Hortons, and its partnership could pay massive dividends, as the c-store as we all know it changes for the better.

Forget fuel sales. Couche-Tard has a chance to beef up its merchandise sales, as it beckons in consumers with charging stations and a more comprehensive range of other offerings. At the end of the day, convenience is king, and Couche is arguably royalty when it comes to the space.

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