



2 Top Value Stocks I'm Looking to Buy Right Now

Description

[Value](#) investing is a lot more than just grabbing stocks that look inexpensive. The shares of an organization in permanent decline may appear cheap relative to sales, earnings, book value, or some other metric, but they are inexpensive for a reason. However, true value stocks provide long-term upside along with excellent margins of safety for investors.

The best value stocks are inexpensive because the market isn't aware of its true potential. Sometimes, solid organizations, having the potential to bounce back after temporary setbacks, can be available at a dirt-cheap price as if the world is about to end. But, if the world doesn't end, such value stocks can outperform the market for years.

Here are two of my top picks with this in mind.

Top value stocks: Alimentation Couche-Tard

Alimentation Couche-Tard ([TSX:ATD](#)) is a convenience store operator based in Canada, having a coast-to-coast presence across North America. This company also boasts a significant market share across many European markets as well.

Couche-Tard produced roughly 70% of its revenues and gross profit in the U.S. in its most recent fiscal year. Recently, the organization completed a global rebranding initiative under the Circle K banner. Couche-Tard appears to be well positioned to continue consolidating this fragmented industry. The company's balance sheet is in great shape, even though it faced challenges in the current acquisition environment. Plus, it has ample opportunities for further consolidation.

The industry is undoubtedly under quite a bit of pressure, with labour costs rising and cigarette sales facing a structural decline. However, I believe this organization can effectively offset all these pressures with its pricing model and scale.

Though Alimentation isn't a stock that investors grab for its dividend, there is undoubtedly a point worth noting.

This company has increased its dividends for the previous 11 years — a Canadian Dividend Aristocrat! Do not forget it has significant liquidity as well. Over the past five years, Couche-Tard's quarterly dividend has increased from \$0.045 per share to [\\$0.11](#), implying a CAGR of approximately 20%.

All in all, Alimentation's solid business model, supported by over 15,000 convenience stores and gas station locations worldwide, accounts for an intriguing investment thesis.

Algonquin Power

Algonquin Power ([TSX:AQN](#))([NYSE:AQN](#)) is a diversified utility player with a mix of transmission, distribution, and generation assets. The organization produces most of its revenue (almost 95%) in the United States. Its two major business groups include renewable energy and regulated services.

Algonquin Power generates a majority of its profits from regulated utility services. Also, it has low commodity price exposure through inflation-indexed long-term PPAs (power-purchase agreements).

Moreover, this organization has a lucrative near-term capital program. This is also bolstered by the company's proven long-term strategy of acquiring underperforming assets.

The business model of Algonquin Power is both growth oriented (due to its renewables segment) and defensive (owing to its regulated utility exposure). This offers investors the right combination of defensive growth, value and income that's immensely hard to find in the present market.

I expect Algonquin Power will grow its adjusted earnings in the high single-digit over time. Accordingly, investors banking on dividend growth have quite a lot to like about how Algonquin is positioned.

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1. Dividend Stocks
2. Investing

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2. TSX:AQN (Algonquin Power & Utilities Corp.)
3. TSX:ATD (Alimentation Couche-Tard Inc.)

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