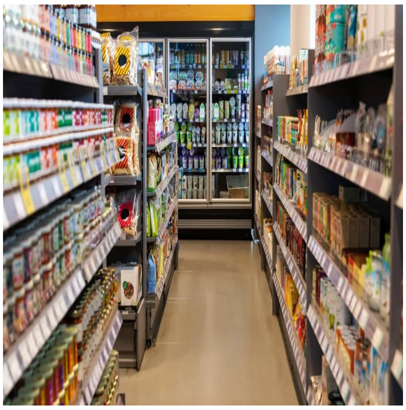

1 of the Best Cheap Stocks to Help You “Stay” Rich

Description

Those who chose to chase hot stocks with the hopes of getting rich over the near term are now in a world of pain, with the hottest stocks of yesteryear now nosediving in a hurry. If a stock can double or triple over a concise timespan, you can bet that it can get cut in half or in two-thirds in equally as concise a timespan. Remember, momentum can work both ways. And chasers could have far more to risk than they think. Indeed, new investors are drawn into high-momentum plays because they seem like sure things! All they do is rise, right? How could you stand to lose?

When the volatility picks up, momentum can hurt investors, leaving them no time to get out. Just look at what happened to **Netflix** stock and its earnings blow-up. It was a nasty result, but the implosion in the stock was equally horrific. With signs that buying the dip is failing, we could be flirting with a bear market. Many tech-heavy portfolios are probably already in a bear market. So many stocks are down well over 20% now. So, it’s hard to imagine that the broader market is not in a bear market!

In any case, I think investing is a game about building wealth over time. But it’s also about “staying” rich and not being drawn into “opportunities” that end up shedding a majority of their value with unrealistic recovery expectations. Sadly, if a stock falls over 70%, the odds of recovery over the course of two or three years is very low. At 75% losses, you’d need to quadruple up to hit the peak again. Sadly, it could take over a decade or more. Though, there are outliers out there, especially in the more speculative areas of this market.

In this piece, we’ll look at one cheap stock that can help you “stay” rich by avoiding those violent crashes we’ve witnessed many times this year.

Consider **Alimentation Couche-Tard** (TSX:ATD).

Alimentation Couche-Tard

Couche-Tard is a convenience store icon that’s been incredibly boring of late. The firm has a lot of dry powder on its balance sheet, yet for some reason or another, the firm has had limited luck with blockbuster deals as of late. Indeed, the Caltex Australia and Carrefour deals flopped. With such a war chest and less in the way of smaller acquisitions, I'd argue that the firm is waiting patiently for the perfect moment to pounce.

Couche-Tard may be an M&A-focused firm. But it's so incredibly disciplined with its value approach that it won't make deals unless there's a shot at sizeable synergies that dwarf integration costs and risks. Valuations have been rich in recent years. That's probably why Couche-Tard hasn't been so active of late. In time, the right deal will come around, but until then, the stock is undervalued, with so much earnings growth likely to propel shares higher.

Once the firm acquires its way into new markets, I think it'll be tough not to get excited about this company that has a reputation for creating value from wheeling and dealing.

At just 15.8 times earnings, Couche is priced as though it's not capable of doubling net income in five years. It can do it, and I think it will with or without a behemoth-sized acquisition. The $51.5 billion company has one of the most competent managers in Canada. Such a "boring" but proven growth story and brilliant managers, I believe, justify a 20 times earnings multiple at minimum. The fact that ATD stock doesn't command such a multiple is likely a blunder on Mr. Market's part. Investors willing to be patient, I think, will be rewarded with Couche-Tard shares at these levels.

CATEGORY

1. Investing
2. Stocks for Beginners

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1. TSX:ATD (Alimentation Couche-Tard Inc.)

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