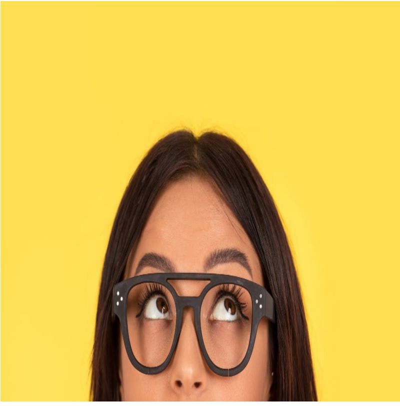

CP Rail vs. Couche-Tard: Better Breakout Buy?

Description

There are many magnificent Canadian stocks out there that are already en route to a massive breakout to new all-time highs, even as the **S&P 500** and **Nasdaq 100** struggle to regain their footing after a nasty correction and bear market, respectively. Indeed, the TSX is rich with value, and the two studs in **CP Rail** (TSX:CP)(NYSE:CP) and **Alimentation Couche-Tard** (TSX:ATD) seem to be best-in-breed blue-chips that are ready to move on, even if the S&P 500 stays in its rut. I think it's high-quality Canadian firms like these that can power the TSX Index to what could be a huge year of outperformance versus the indexes south of the border.

Without further ado, let's have a closer look at each name to determine which, if either, is worth picking up before April arrives.

CP Rail

CP Rail stock may not be the cheapest it's been. With the Kansas City Southern railway merger considered, CP is a much different, perhaps better railway that could be worth more than it was many years ago. Indeed, the markets may yet have to factor in the long-term (think 10 years out) potential of the KSU deal. Undoubtedly, CP Rail paid a lot to scoop up the southern U.S. railway that has considerable exposure to Mexico. Its top rival in Canada actually went to war (a bidding war) in 2021 to grab the prized rail target. CP won, and its stock has been a turbulent ride, as investors digested the uncomfortable sticker price of the deal.

Bill Ackman recently bought back into CP Rail, and if I had to guess, it has something to do with the long-term potential behind CP's recent merger. With a brilliant CEO in Keith Creel at the helm and an active Bill Ackman who's worked wonders for the stock before, I think investors should be fine with paying a premium for the company. It's a wonderful business that could become even more wonderful.

At $100 and change per share, the stock trades at just north of 24 times trailing earnings. Not cheap for an old-time $93 billion behemoth. With a 0.75% yield, the stock isn't too bountiful either. Considering the firm's premium growth characteristics with KSU, though, I believe CP is a great deal, even at new highs.

Alimentation Couche-Tard

Couche-Tard is another wonderful company that ought to be worth more than the mere level it's trading at currently. Fresh off a solid earnings result, Couche is creeping closer to its highs.

The CEO noted that the oil shock wouldn't hurt fuel margins nearly as bad as some suspect, and with a concentration on same-store sales growth, I think the firm is en route to posting double-digit earnings over the next year. With a brilliant balance sheet, I also think the odds of a huge acquisition are high this year. I think fellow c-store and fuel retailer **Parkland Fuel** is a natural candidate to scoop up in 2022.

Parkland has had some issues amid the coronavirus pandemic and may not be in as great shape to deal with an environment where cars could be going electric in record numbers. The $5 billion company could prove Couche's largest deal since CST Brands. Should Parkland dip below $30 per share, I do think Couche should have a close look at the firm as the industry looks to consolidate and adapt to the coming EV boom. At 16.1 times earnings, ATD stock is a steal.

CP Rail stock vs. ATD stock: better buy?

Between Couche and CP, I'd have to go with Couche. It's cheaper, with more room to run. Still, I'm not against buying both quality firms on strength.

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