My Favourite Stock to Beat the Market in 2022 and Beyond

Description

I have plenty of favourite stocks that I'd look to buy amid the recent bout of market turbulence. While the growth trade has soured in a big way, I don't think it's yet time to catch a falling knife, given the odds that this past week of positive trading may still prove to be nothing more than a bear market rally.

While I don't see the **TSX** (it's at highs) or the **S&P 500** plunging into a bear market anytime soon (unless there's a recession on the table), it's hard to argue with the bearish vibes that have been going on over the past quarter. The **Nasdaq 100** fell into a bear market and some of the biggest winners of 2020 and 2021 have crumpled like a paper bag. Undoubtedly, momentum investing is exciting, but it's a lazy strategy that could lead many to steep, potentially unrecoverable losses over the span of just a few weeks or months.

One of my favourite stocks just got even more attractive

Now, higher rates make growth worth a bit less. That said, growth investing can still help you achieve magnificent results. You just need to keep your risks in check and insist on a margin of safety. Indeed, earnings matter, and I believe that earnings growth takes precedence over mere sales growth, especially if operating margins are nowhere close to making a move into the green.

Indeed, the holy grail for investors should be profitable growth companies that are cheap, with enviable balance sheets. It's hard to find firms that meet all such traits in this market. But if you're willing to look on the TSX, they exist. Retailer **Alimentation Couche-Tard** (TSX:ATD) fits the bill as an earnings growth stud with an incredibly healthy balance sheet alongside an absurdly-low price-to-earnings (P/E) multiple. For this reason, I'm a huge fan of the stock and will continue accumulating should shares inch toward breaking out to new all-time highs not seen since early February.

Couche-Tard is a cheap, earnings grower built for times like these

Couche-Tard is ready to thrive in a rising-rate environment far better than most other firms investing considerable sums in growth. The company has a considerable amount of dry powder after a few failed acquisition attempts last year. Indeed, the firm tried to buy Carrefour to break into the grocery arena, but it ultimately failed as the French government stepped in, putting a halt to any further discussion. Indeed, Couche-Tard has a lot of different growth pathways it can take from here. It has the capital to scoop up a massive retail chain in either grocery or c-stores.

Personally, I think the firm is wise to stand pat, as valuations correct across the board. With the rise of EVs and all the supply chain hiccups out there, Couche's patience could pay off big time should an ailing firm seek to be taken over.

A healthy balance sheet and dirt-cheap valuation

Even if no deal happens, the company has done a great job of driving earnings higher by improving same-store sales comps, with fresh food offerings among many other organic growth initiatives that have paid dividends. At just 16.1 times earnings, the c-store kingpin is a growth darling that will not be slowed down.

Couche's healthy balance sheet and robust cash flows make the firm one of the places to look as investors take a pass on unprofitable growth companies with just stories for investors to go by! The firm has exceptional stewards who aim to create long-term value. Don't expect them to be enticed by near-term gains because they're in it for the long haul.

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Date
2025/09/27
Date Created
2022/03/25
Author
joefrenette