



1 Top Breakout Stock to Watch in April

Description

The TSX Index has been remarkably resilient amid recent turbulence suffered by the U.S. indices. Undoubtedly, the slightly heavier value and commodity weighting helped the Canadian stock market thrive in the face of pressure.

In this piece, we'll have a look at one Canadian play that is breaking out to new all-time highs after a prolonged period of consolidation. Both companies have been bid-up in recent sessions for excellent reasons. As their shares look to become cheaper on the way up, thanks in part to continued earnings growth, I wouldn't hesitate to buy. Indeed, momentum chasing on its own can be a dangerous game. If you put in the homework and see deep value alongside momentum, you may have a timely stock that could be entering its much-awaited next leg higher.

Consider **Alimentation Couche-Tard** ([TSX:ATD](#)), one red-hot consumer staple on the TSX that looks hard to stop going into the midpoint of 2022.

Alimentation Couche-Tard: In the future, convenience is key

Couche-Tard isn't the same growth-by-acquisition-driven firm it was many years ago. It's pulled the brakes a bit on the M&A, instead opting to focus on organic growth initiatives. Indeed, such efforts have paid handsome dividends, with solid same-store sales growth numbers amid the COVID crisis. The convenience store darling has one of the best managers in Canada, in my opinion. And I don't think investors are giving the firm the benefit of the doubt in the face of challenges. They've moved through tough times before, only to come out on top at the end of the day.

Currently, the rise of EVs threatens to hit fuel sales gradually over the next decade. Further, there's a lot of haze as to what's to happen with the future of convenience stores, as deliveries and home-charging become more commonplace. I think Couche can turn a complex technological [shift](#) in its favour, as it looks to sell even more time back to its customers of the [future](#).

All the traits of a wonderful business

The company sells fuel, but that's not its bread and butter. It's a convenience retailer that sells time back to its customers. As more sales are derived from merchandise with a private label that could enhance margins, I view the EV trend as an opportunity that Couche can take advantage of. Couche can effectively adapt to the times by offering consumers what they want. And in terms of retailers, Couche has pivoted far better than anyone else.

Today, earnings are powering the stock. Actual cash flows matter these days, and as the company continues growing its profits, it will be hard to ignore the firm that had faded into the background of "sexier" high-multiple growth stocks over the past two years.

Couche-Tard is back, and I think it deserves a 20-25 times earnings multiple, given the predictability of cash flows, the calibre of management, and the long-term opportunity at hand.

The bottom line for investors

Couche-Tard is a growth stock. It's a profitable growth stock with enough cash on the sidelines to make accretive moves. Whether it will this year is anyone's guess. Regardless, Couche has a lot of medium-term catalysts that could re-ignite interest in the traditional value name once again.

CATEGORY

1. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. joefrenette
2. kduncombe

Category

1. Investing

Date

2025/07/23

Date Created

2022/04/01

Author

joefrenette

default watermark

default watermark