1 Top TSX Growth Stock That's Soaring With Room to Run

Description

The growth stock trade may have soured, with unprofitable tech companies leading the charge lower over the past several quarters. That said, investors shouldn't shun growth if there is, in fact, value to be had. Undoubtedly, growth and value stocks do not have to be mutually exclusive. With rates on the rise and profit growth that now matter more than sales growth, I think it makes a tonne of sense to look to the earnings growers out there that may not have surged as much as they could have during the last two years of frantic buying.

Momentum investing can hurt those who get in too late. That's why the valuation process is so incredibly critical, not only to improve one's odds of scoring a decent total return over the medium to long term, but also to steer one out of trouble if something off one's radar strikes.

Who says you can't have growth and value together?

With Russia's invasion of Ukraine and new variants (BA.2 Omicron) of COVID-19 out there, it's not a time to be complacent, especially in the face of a recession. Though all signs (including the yield curve) point to an imminent recession in 2023 (or 2024), many are forgetting one thing: corporate earnings. Remember, individual companies are still faring quite well, and they could continue to do so, even as the broader economy starts to cool off modestly at the hands of rate hikes.

With rates skyrocketing and everybody focused on the negatives, sometimes it can pay dividends to take a contrarian view. Positive surprises can still happen, and many investors tend to forget such when there's nothing but doom and gloom on Bay or Wall Street.

Without further ado, consider **Alimentation Couche-Tard** (TSX:ATD), a convenience store icon that broke out to a new all-time high of around $57 per share on Tuesday. The consumer staple firm is remarkably hot right now, and shares are still quite cheap, given the free cash flow generation and earnings growth potential over the next 10 years and beyond.

Alimentation Couche-Tard

Convenience stores are pretty boring. But they're also a pillar of stability for rocky economic times. Indeed, Couche-Tard has run its convenience stores remarkably well, introducing enhanced merchandise offerings and setting its sights on intriguing next-generation tech with its model shop at McGill University. Frictionless payments and private-label merchandise are both potential boons to same-store sales growth over the long run.

Add the rise of EVs into the equation, and the average time spent in a convenience store could increase considerably. That's an opportunity for Couche to get its customers to spend more money and fill up their baskets with more goods. Indeed, convenience stores are becoming more grocery-like in nature. And that's a long-term positive in my view, given fuel sales aren't necessarily the highest-margin product that a firm like Couche sells.

With the stock soaring around 3% on Tuesday, I'd continue to prefer the name while its P/E multiple is below the 18 times mark.

The bottom line for Foolish investors

Couche-Tard is back. With a high-teens P/E multiple and solid double-digit earnings growth potential, I'd not sleep on the name, as it wakes up from its hibernation. With plenty of cash to make a big splash in M&A, things could get even more eventful in the latter half of 2022.

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