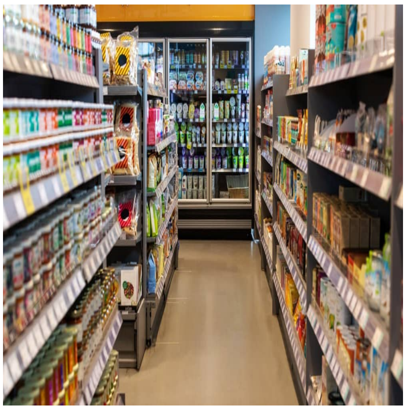

Beginner Investors: Alimentation Couche-Tard (TSX:ATD) Is a Massive Bargain

Description

There aren't that many massive bargains during normal conditions, but when we have investors rattled over a correction and the possibility of a bear market, such opportunities start to appear. **Alimentation Couche-Tard** (TSX:ATD) is a convenience store giant that appears to be at the intersection of momentum and value these days, with Mr. Market fretting over a potential recession that could kick in come 2023.

Consumer staples are built for recessions. And in terms of top staples, it's really hard to match Couche-Tard. It's a growth stock with a value multiple, and as the company looks to drive double-digit earnings growth moving forward via M&A, investors would be wise to continue nibbling away at the stock.

Management has done a spectacular job of creating value both organically and inorganically. The firm made a big bet on fresh food, and it's paying off in the form of robust same-store sales growth (SSSG). With a strong balance sheet, it's acquisitions that I believe will drive ATD stock's rally to the next level, perhaps towards the $70 level.

Couche-Tard in talks with U.K.-based retailer EG Group

Indeed, it's been a while since we had Couche picking up a deal in the convenience store universe. With recent reports suggesting that Couche could merge with U.K.-based retailer EG Group, there are reasons to believe that M&A could be on the horizon once again. For long-term holders of Couche stock, any M&A is likely to be rich with synergies. After the recent market turbulence, it's a great time to go hunting for a bargain, and I suspect CEO Brian Hannasch and his firm will strike a deal, whether it's with EG Group or some other retailer.

There's no question that Couche is disciplined about M&A. As you may know, overpaying for acquisitions can hurt shareholder value. Undoubtedly, we've witnessed far more deals hurting acquirers than helping them. With Couche, though, it's all about creating value from every deal, big or small, that it makes.

Currently, Chris Li, an analyst from Desjardins Capital Markets, is a fan of the potential Couche-EG deal. Li thinks the two are a “good strategic fit” and that management will remain “highly disciplined.”

I couldn’t agree more. Couche-Tard will only pursue deals that make sense. That said, it’s not willing to chase acquisitions or pay up more than it’s willing to. It wants a bargain, and it’s not afraid to walk away if the price is not right. It’s this discipline to walk away that has me so bullish on the company from a long-term perspective.

Whether or not an EG deal happens, it’s clear that Couche-Tard is looking for a dance partner at this time. It can load up on an elephant. EG has around 1,700 locations in the United States, which would go well alongside the over 7,000 locations already owned by Couche.

The bottom line

Whether or not Couche picks up EG or any other big-league retailer, I remain a bull on ATD stock, as it surges to new highs. It’s still cheap at 17.5 times trailing earnings. With a recession on the horizon, it’s time to rotate back into value and earnings growth.

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