1 Top Earnings-Growth Stock to Buy in June

Description

Unprofitable growth companies have really soured over the past year, with high-multiple tech leading the charge lower, dragging down growth-heavy indices such as the Nasdaq 100. Undoubtedly, value and dividends are starting to look appealing again through the eyes of the average retail investor. With a recession on the horizon, and a central bank that seems like it isn't going to stop hiking interest rates until inflation is back under control, it shouldn't come as a surprise to see so many rotating out of risk.

Just as quickly as investors sour on growth, they could get back in. However, with all the macro risk in the markets right now, I'd argue that it's very unlikely that we'll witness the same type of momentum as we did in the back half of 2020 and the early innings of 2021, even if inflation rolls over soon.

Not all growth is created equally

Many growth stocks won't see their highs again for a long time. Some, which are off over 80% from their all-time highs, may never live long enough to see their peaks. As investors rotate back into risk-off assets, questions linger as to how investors should proceed in one of the most turbulent starts to a year in decades.

Arguably, the contrarian would look to the discarded growth plays to value. Some have fallen so fast, so hard such that they now look compelling from a risk/reward standpoint. Unless you're willing to fight the U.S. Federal Reserve, though, I'd argue that it's unwise to load up on the falling knives right now. We simply do not know when the bottom will be in. Just because a stock has lost a majority of its value doesn't mean it can't continue to do so again.

Eventually, the names in the crosshairs of this market will bottom. But until they do so, I'd argue fundamentals and earnings growth are key to outperforming in this market. Real earnings, cash flows, and cheap multiples could be the best buys in a market that continue punishing beginners who chase momentum blindly.

Couche-Tard: A top earnings-growth stock to buy while it's

cheap

Consider **Alimentation Couche-Tard** (TSX:ATD), an earnings grower that could double net income over the next five years through prudent M&A. Indeed, Couche-Tard is known for its legendary founder-led managers who are keen on paying three quarters to get a dollar to grow via acquisitions. The growth-by-acquisition model has paid off handsomely over the years. The convenience retailer may be worth nearly $60 billion, but its days of growth are far from over. You see, the convenience store scene is still very fragmented. And as the company expands its horizons to new geographies, there’s a lot more room for earnings to fly.

It’s not just about M&A opportunities, though. The company has proven it can grow without loading up on elephants frequently. The balance sheet has improved drastically in recent years, enough so to load up on a bargain in the global retail space. What’s the firm been doing to keep its growth alive? It’s been investing in organic initiatives to bolster same-store sales. As the firm looks to roll out EV chargers in response to the changing times, the growth possibilities are seemingly endless.

At 17.6 times trailing earnings, Couche-Tard gets no respect for its earnings growth profile. In due time, it will, and the stock could be headed to new highs, as fundamentals begin to matter more than merely growth stories and false promises.

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
2025/07/21

Date Created
2022/06/02
Author
joefrenette