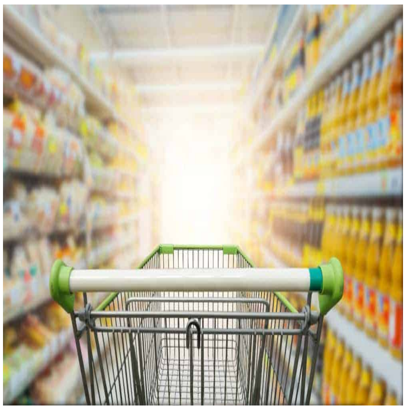

Deep Value: 1 Profitable Growth (and Cheap) Stock to Buy Today

Description

Canadian investors have continued to put up with excessive levels of volatility. The broader S&P 500 has fallen more than 1% in anticipation of more hawkish comments from the U.S. Federal Reserve. We've heard a lot of bearish pundits giving their worst-case scenarios for this market. Undoubtedly, such scenarios are possible, but are they likely? Probably not. That's why investors should take any near-term projections with a fine grain of salt and weigh the comments of the bulls and the bears.

Believe it or not, plenty of bulls out there still see markets rallying higher on the back of better-than-expected CPI numbers. Indeed, inflation has peaked and is ready to roll over. But looking ahead, it'll be about whether CPI comes in ahead or behind estimates.

Fewer investors are talking about earnings these days. They're preparing for the worst and possibility of much higher rates. Though a worst-case scenario should be on the minds of investors, I'd argue that best-case scenarios (think a soft landing with no recession) should also be considered.

At the end of the day, it's impossible to know what we're in for. The confident bulls and bears may claim to know, but as DIY investors, it's our job to embrace volatility and think about the long-term picture.

Many of the beaten-down TSX stocks will recover, whether it be sooner (due to fast-falling inflation) or later (after more rate hikes).

One of the cheapest profitable growth stocks primed to keep charging higher over the next three years and beyond, **Alimentation Couche-Tard** (TSX:ATD), is worth a closer look.

Alimentation Couche-Tard

Couche-Tard is a convenience store chain that's sitting on a pile of cash and credit. The stock is just a few percentage points away from hitting a new all-time high, but questions linger as to when Couche will be ready to pull the trigger on more acquisitions.

It's estimated that the firm has as much as US$15 billion in buying power. What a treasure trove of a balance sheet built up over the years!

Whether the firm decides to pursue a blockbuster in the convenience store space or grocery arena remains to be seen. As valuations contract in the face of a recession, I do think Couche-Tard will get an unbelievable bang for its buck whenever it decides to get active again.

Even without a big deal in hand, Couche-Tard has shown it can grow earnings without M&A. The firm's same-store sales growth (SSSG) has been incredibly impressive amid inflation and macro headwinds. Looking ahead, management is targeting 2-4% in SSSG. A realistic target, even as the economy slows.

With top Canadian fuel retail peer **Parkland Fuel** in the gutter, I'd look for Couche to consider a deal that could be a match made in heaven. In any case, Couche stock seems too low at 16.3 times trailing price-to-earnings (P/E), given its considerable earnings momentum.

The bottom line for TFSA investors

Unsurprisingly, investors are souring on most stocks these days. But it's tough to pass up on Couche at these valuations. At the end of the day, earnings will dictate stock price trajectories. No earnings could mean no upside as rates rise. That's why I'd look to load up on well-known, profitable firms like Couche and take a raincheck on speculative tech stocks that have nothing more to offer than promises.

CATEGORY

1. Investing

TICKERS GLOBAL

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

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