2 High-Quality Value Stocks to Buy This Month

Description

If you've yet to buy any beaten-down stock with your latest Tax-Free Savings Account (TFSA) contribution (or if you've yet to contribute), it may be time to consider re-visiting the names on your watchlist. Undoubtedly, 2022 was likely the year that many investors "scratched" stocks off their watchlists over the mounting macro headwinds.

There's no question that a recession could weigh further on stock prices. Downward revisions to earnings and the "doom and gloom" induced by the Fed could certainly cause 2023 to be a nasty sequel to 2022. On the flip side, though, I think the lack of optimism is a reason to start putting some excess capital to work on battered stocks.

Brilliant investors don't base investment decisions on Fed chatter or where they think the macro picture is headed next. At the end of the day, investors can't control what the Fed does next. It's just not worth investing your effort into things beyond your control.

What investors can do is evaluate companies and their durability through tough times. In essence, you should be ready to invest through recessions, depressions, booms, and busts.

In this piece, we'll consider high-quality value stocks that aren't all too expensive, given the slate of concerns that could act as an overhang on stock valuations.

Alimentation Couche-Tard

Alimentation Couche-Tard (TSX:ATD) is a convenience retail consolidator that's shifted gears to driving same-store sales in recent years. The results have been solid, with earnings continuing to march higher, while the firm's balance sheet has improved by leaps and bounds. In a high-rate world, strong balance sheets ought to be at a premium.

Though it’s unclear what Couche-Tard will do with its cash pile, I think a historic deal is in its near future. The company won’t rush to make a deal, though. We’re dealing with some of the most disciplined and value-oriented acquirers out there.

That alone should have investors watching the stock, as it creeps higher while its price-to-earnings multiple remains below recent historical averages. A stock that could move higher without relying on multiple expansion is exactly what you’ll want to own in this market!

Couche-Tard stock is one of my portfolio’s largest holdings, and I plan to buy more on any pullbacks.

Quebecor

Don’t look now, but **Quebecor** (TSX:QBR.B) stock has been quietly marching higher over the past few weeks, all while the rest of the market has been experiencing ups and downs of the new year and new slate of woes. The Quebec-based telecom has compelling growth catalysts that could help drive earnings growth over the next 10 years.

Indeed, Quebecor wants to replicate the success enjoyed in the Quebec telecom market in other parts of Canada. Quebecor’s (overly?) ambitious expansion won’t come cheap, but with one of the best management teams in the space, I think the expansion could entail considerable market share gains. For now, most investors are passing up the name due to higher expenses in this higher-rate environment.

Becoming player number four in the telecom space could entail huge rewards. With QBR.B stock up nearly 30% from its bottom and over 13% in the past month, I view Quebecor stock as a value gem that could be ready to leave the rest of the market behind.

The stock trades at 12.4 times trailing price to earnings. That’s pricier than when I last recommended the name. In any case, I still think there’s value to be had and that recent momentum could last through year’s end, even without so much as a positive catalyst. The stock is that cheap, in my opinion.

CATEGORY

1. Investing

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2. TSX:QBR.B (Quebecor Inc.)

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