The Top TSX Stock on My Watch List Right Now

Description

It's official: 2022 was S&P 500's weakest year in more than a decade. The S&P 500 experienced its first double-digit yearly loss in 2008, when the index fell 38.4%, during the Great Recession. But if you look at things over the long term, years like this are anomalies, and they may also be fantastic times to purchase stocks, with the same thesis extending into the Canadian market and the TSX.

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Unfortunately, simultaneous headwinds of high inflation and interest rate increases by the U.S. Federal Reserve and Bank of Canada won't be dissipating anytime soon. But according to analysts, 2023 might be a better year, and this company should be in your portfolio if both governments are successful in controlling inflation and navigating a smooth landing for both economies.

For those looking to narrow down a longer list of stocks to buy, here's my top watch list pick right now.

Is this the right time to buy Alimentation Couche-Tard?

Over the past few months, **Alimentation Couche-Tard** (TSX:ATD) has experienced a respectable share price gain. You might believe that any recent changes in this company's outlook are already reflected in the stock because it is a large-cap stock with extensive analyst coverage.

But as of now, Alimentation Couche-Tard is still inexpensive. The stock is right now trading below $65 level. This suggests a potential window of opportunity to buy cheap. In comparison to the rest of the market, the share price of Alimentation Couche-Tard likewise appears to be very consistent.

A wise investment is always buying a terrific company with a promising future at a reasonable price. ATD is now inexpensive, so even though growth is somewhat subdued, now can be a fantastic opportunity to increase your holdings in the stock.

Why is the ROCE attracting investors toward ATD?

For those who are unsure what ROCE is, it stands for return on capital employed and assesses how much pre-tax profit a business can make using the capital that is invested in the company.

Alimentation Couche-Tard's ROCE is 17%. That's a decent return in absolute terms, but it's significantly better than the 11% industry average for consumer retail.

Several encouraging developments are being seen at Alimentation Couche-Tard. The data indicates that the company's returns generated on capital employed have increased significantly to 17% during the last five years. The company's capital employed has also increased by 44%. This could mean that there are several opportunities to invest money internally and at ever-higher rates — a combination that multi-bagger growth stocks frequently have.

Bottom line

Overall, it's great to see that Alimentation Couche-Tard is strengthening its capital base and reaping the benefits of earlier investments. And since the company has given owners a return of 89% over the past five years, investors seem to anticipate more of this in the future.

CATEGORY

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