



Is Alimentation Couche-Tard Still a Good Bet?

Description

On Tuesday, **Alimentation Couche-Tard** (TSX:ATD.B) CEO Alain Bouchard stepped down, paving the way for his successor, Brian Hannasch. Mr. Bouchard's new role will be executive chairman, a more appropriate role for the 65-year-old founder. Mr. Hannasch has been COO of Couche-Tard since 2010.

Mr. Bouchard is nothing short of a retailing legend. He and his partners founded Couche-Tard, starting with one convenience store more than 30 years ago. Now the company's empire of nearly 8,500 locations stretches across Canada, the United States, and Northern Europe.

Perfect timing

Couche-Tard also announced quarterly results on Tuesday, with adjusted net earnings increasing by over 14% despite no meaningful increase in store count. Adjusted earnings per share increased by about the same amount. And the company announced a 3-for-1 stock split. The news has been well-received so far by the market, with the shares up over 2% in early trading.

The results cap off a particularly remarkable five-year run for Couche-Tard, one in which the company made a U.S. \$3.6 billion acquisition of Statoil Fuel and Retail (SFR). Partly due to this acquisition, net income has more than tripled since FY2009, and the stock price has gone up nearly seven-fold over the past five years.

So with so much momentum in the company's favour, and with Mr. Bouchard remaining as chairman, the CEO transition should be relatively inconsequential, at least in the short term.

So what should investors do?

Couche-Tard has become a much more expensive stock in recent years, trading right at its 52-week high. The P/E ratio is currently about 20, reflecting continued optimism that the company can continue to grow earnings without wrecking the balance sheet or diluting shareholders. While the company has certainly earned such credibility over the past five years, there is without doubt less upside in the shares than in recent times.

By comparison, **Jean Coutu** (TSX:PJC.A), another Quebec-based retailer, trades at a P/E of about 10, and may be more appropriate for investors uncomfortable with betting on Couche-Tard's continued success. Jean Coutu has not grown at nearly the same rate as Couche-Tard, with revenue virtually flat over the last three years – hence why the shares have not reached the same multiple.

Foolish bottom line

Tuesday is a day for celebration at Couche-Tard, and rightfully so. The CEO transition is a monumental event, and the company's recent performance makes the occasion that much sweeter. And while the shares have gotten more expensive over recent years, the company has lots of momentum on its side – investors can be forgiven for riding the wave a while longer.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:TLRY (Aphria)

Category

1. Investing

Date

2025/07/27

Date Created

2014/03/18

Author

bensinclair

default watermark