



Is Alimentation Couche-Tard Inc.'s Convenience Worth Your Investing Dollars?

Description

A segment of the retail market that often gets overlooked is the convenience-store sector, and Canada's top player is **Alimentation Couche-Tard Inc.** (TSX: ATD.B). While it may not be as mighty as its numbered competitor, Couche-Tard still possesses an impressive list of locations.

In North America, Couche-Tard currently has 6,243 locations under the banners Couche-Tard, Mac's, and Circle K, with 4,478 of those locations offering fuel. Meanwhile, its European footprint has reached 2,250 locations, thanks to the purchase of Statoil Fuel & Retail in 2012. But the question now for investors is whether this company is worth your investment dollars and not just your midnight snack-craving dollars.

The results

Last week, Couche-Tard posted its Q1 2015 report that the company has seen some modest growth overall, which for any retail company is quite good. Total revenues in the quarter rose to \$9.1 billion, up from \$8.9 billion. These numbers could have been even higher if not for the poorly performing Canadian dollar over the summer.

When broken down by segment, we see merchandise sales have increased to \$1.98 billion from \$1.94 billion, no doubt from all those ice-cold Frosters (not Fosters — come on, people!) sold during this scorching summer. Its fuel segment posted revenues of \$6.6 billion, up from \$6.3 billion, thanks to higher average fuel prices in North America combined with higher margins.

In all, these revenues translated into gross profits of \$1.28 billion, up from \$1.18 billion, thanks to a consolidated gross margin of 34.1%. Also, a new record for quarterly net earnings was reached during this quarter, with \$269 million (\$0.48 per share) hitting the company's bottom line, up from \$255 million (\$0.45 per share) in Q1 2014.

Jet fuel sale

In a move that only fuels already growing speculation that Couche-Tard is ready for another round of acquisitions, it has announced that it will be selling the North European aviation fuel business it

received as part of its 2012 acquisition of Statoil Fuel & Retail AS, the retail arm of **Statoil ASA** of Norway.

The segment, which is seen to be outside of Couche-Tard's core operations, has been sold to global aviation fuel supplier **Air BP** for an undisclosed amount.

Further acquisitions

This sale happened to coincide with the final payment on the \$3.2 billion debt it secured to purchase of Statoil Fuel & Retail AS. That means there is cash on hand and once again the company has stuck to its creed of aggressive debt repayment.

It isn't a matter of whether Couche-Tard goes deal hunting but when, as it has been reported that it is in the running to pick up a minority stake in China's Sinopec Sales — a deal that would be worth \$16 billion and will give Couche-Tard a hand in the world's largest fuel retailer.

What's left for investors?

Investors were not left out in this flurry of announcements as Couche-Tard also revealed that it will be increasing its quarterly dividend payout to \$0.045, an increase of 12% and a nice bonus for investors who have stuck with this "pay debt first" company.

The stock closed Friday at \$36.65, a day after its 52-week high of \$37.00 and far beyond its 52-week low of \$20.36, and the stock is carrying an average price target of \$40.00.

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