

Should You Buy, Sell, or Hold Alimentation Couche-Tard Inc. Today?

Description

Alimentation Couche-Tard Inc. (TSX:ATD.B), one of world's largest operators of convenience stores and gas stations, with over 13,100 locations in North America, Europe, and Asia, announced third-quarter earnings results on the morning of March 17, and its stock responded by rising over 2% in the trading session that followed. Let's take a closer look at the results to determine if we should consider buying in to this rally, or if we should wait for it to subside.

The results that narrowly missed expectations

Here's a summary of Couche-Tard's third-quarter earnings results compared to what analysts had anticipated and its results in the same period a year ago. All figures are in U.S. dollars.

Metric	Reported	Expected	Year Ago
Adjusted Earnings Per Share	\$0.51	\$0.53	\$0.31
Revenue	\$9.11 billion	\$9.62 billion	\$11.09 billion

Source: *Financial Times*

Couche-Tard's adjusted earnings per share increased 64.5% and its revenue decreased 17.9% compared to the third quarter of fiscal 2014. The company's very strong earnings-per-share growth can be attributed to its adjusted net income increasing 65.1% to \$289 million. Its sharp decline in revenue can be attributed to lower road transportation fuel average retail prices and the negative impact from the translation of revenues from its Canadian and European operations into U.S. dollars.

Here's a quick breakdown of eight other notable statistics and updates from the report compared to the year-ago period:

1. Same-store merchandise revenues increased 4.5% in the United States, 3.6% in Canada, and 1.7% in Europe
2. Same-store road transportation fuel volume increased 2.8% in the United States and 2.1% in Europe, and declined 0.5% in Canada
3. Total road transportation fuel volume increased 4.3%
4. Gross profit increased 5.5% to \$1.53 billion
5. Consolidated merchandise and service gross margin contracted 40 basis points to 33.7%
6. Adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) increased 34.1% to \$559.8 million
7. Operating income increased 63.9% to \$384.4 million
8. Net cash provided by operating activities increased 16.2% to \$350.2 million

Couche-Tard also announced a quarterly dividend of CA\$0.045 per share for the third quarter of fiscal 2015, and it will be paid out on April 9 to shareholders of record at the close of business on March 26.

Should you invest in Couche-Tard today?

Although I do not think the post-earnings rally in Couche-Tard's stock was warranted, I do think it represents an attractive long-term investment opportunity today. I think this because it trades at very low valuations, including just 26.1 times fiscal 2015's estimated earnings per share of \$1.89 and only 24.8 times fiscal 2016's estimated earnings per share of \$1.99.

I think Alimentation Couche-Tard represents one of the best long-term investment opportunities in the market today. Foolish investors should take a closer look and strongly consider initiating positions.

CATEGORY

1. Energy Stocks
2. Investing

POST TAG

1. Editor's Choice

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