

## Alimentation Couche-Tard Inc. Is a Growth Machine

### Description

When it comes to pursuing an aggressive growth stance, there are companies that just talk about it, and then there are companies like **Alimentation Couche-Tard Inc.** (TSX:ATD.B).

Couche-Tard is one of the largest gas station and convenience store operators in the country and in North America with over 14,000 locations scattered across Canada, the U.S. and Europe. Couche-Tard is the name behind well-known brands such as Circle K, Kangaroo Express, Ingo, Mac's, and Topaz.

The company has had a tremendous growth run over the past few years, and if reports are accurate, the company is nowhere near through growing. Just last year the company purchased The Pantry—a 1,500-location strong chain of convenience stores for \$US1.7 billion, which Couche-Tard plans to rebrand in part under the Circle K banner.

### Is Couche-Tard now set to expand again?

According to news reports, Couche-Tard is leading the pack in looking to acquire **CST Brands Inc.** San Antonio-based CST is the second-largest fuel and convenience store operator in North America with over 2,000 locations across both Canada and the U.S.

A report from the *Wall Street Journal* noted that a potential deal with Couche-Tard could carry a value of US\$3.4 billion or more for CST. The combined company would not only have an improved footprint, but it would bring synergies in the form of cost savings and reduced overhead on the corporate side.

Intriguing as this prospect is, industry pundits note with caution that the deal could arouse the attention of the Competition Bureau, thanks in part to the overwhelming presence the combined company would have. In Quebec, for example, Couche Tard would be adding 533 CST-branded stores to the 800 the company already has. In Ontario, CST has just 146 to Couche-Tard's nearly 1,000 stores.

While Couche-Tard won't confirm or deny any impending deal, the fact remains that Couche-Tard is a strong growth machine that investors should take note of.

### Couche-Tard's growth

Couche-Tard currently trades at \$62 and is up 1.79% year-to-date. While this is hardly a top growth pick over the immediate term, the stock tells a different story when looking over a longer term. Over the past 18 months, the stock has soared by over 30% and by over 100% in the past two years.

In the most recent quarter Couche-Tard posted net earnings of US\$206 million, or \$.036 per share, on US\$7.39 billion in revenue. Earnings showed a jump of 28% for the quarter, while revenues were up by an impressive \$100 million.

Couche-Tard also pays out a quarterly dividend, which has been raised consecutively over the past

eight years. The dividend was raised this past quarter by 14.8%. The current dividend is set to \$0.0775 per share, which—given the current stock price—gives Couche-Tard a yield of 0.50%.

The dividend itself is hardly reason enough to invest in the stock, but investors should note that the company has doubled the dividend over the past two years, so further hikes should be expected that will bring the yield up to a more attractive level.

Couche-Tard is, in my opinion, a great long-term investment option. The company continues to perform very well, and the expansive nature of the company will continue to provide results to investors over the long term.

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