

## 2 Great Ways to Own Alimentation Couche-Tard Inc.

### Description

I feel for **Alimentation Couche-Tard Inc.** (TSX:ATD.B) shareholders. You poor souls. Your stock is only up 11.3% year-to-date through August 29. How are you going to be able to live with yourselves? Honestly.

I'm being facetious, of course.

While Couche-Tard's usual hyper-performance hasn't been present so far in 2016, its acquisition announcement August 22 of **CST Brands Inc.** has certainly lit a fire under its stock. As of August 29, it's trading within 2% of its all-time high of \$68.52. Couche-Tard is solidly on its way to an eighth consecutive year of positive returns. Any investor would kill for this kind of consistent performance from a stock.

The question is, Can that streak continue? My immediate reaction is to say, "Why not?"

Couche-Tard management has an ability to [integrate](#) acquisitions and secure operating efficiencies like few others. The future with CST Brands added to the mix, its largest acquisition in its history, continues to be very bright. It seems like only yesterday founder Alain Bouchard was opening the company's first convenience store in Laval, Quebec.

Now a \$38 billion market cap it's significantly larger than well-known U.S. companies such as **CBS Corporation** and **eBay Inc.** Growth has been Couche-Tard's calling card for some time. I expect that to continue.

That said, the company's current valuation by almost every metric has it slightly overvalued. Is it a GARP (growth at a reasonable price) stock? Well, everyone's version of reasonable is slightly different, but I don't think you'd be far off the beaten path. It's definitely not a value play, and this year's slowdown would suggest it's no longer the true momentum stock it once was.

Investors wanting to book profits might consider these two alternatives to owning Couche-Tard's stock directly.

The first option is the **BMO Low Volatility Canada Equity ETF** ([TSX:ZLB](#)), a five-star fund according to *Morningstar*; it invests in the 40 lowest-beta stocks out of the 100 largest and most liquid Canadian equities. It's intended to deliver reasonable returns while reducing the downside hit from a market correction.

Couche-Tard is currently the ETF's ninth-largest holding with a weighting of 2.89%. It's got some interesting large-cap stocks ahead of it, including one of my favourites, **Fairfax Financial Holdings Ltd.** ([TSX:FFH](#)), which checks in at 4.8% and is the largest holding in the ETF's 40-stock portfolio.

The second option, in my opinion, is a more attractive investment to ZLB, but it might not be appealing to those who value geographic diversification. I'm speaking about the **First Asset Morningstar National Bank Quebec Index ETF**

(TSX:QXM), a passive ETF that tracks the Morningstar National Bank Quebec Index, a group of 56 stocks whose market caps are in excess of \$150 million and based in Quebec.

In this particular ETF, Couche-Tard is the largest holding with a weighting of 5.58%. While its performance has been slightly less than ZLB over the past three years on an annual basis—17.4% for ZLB versus 16.3% for QXM—it possesses the largest weighting for Couche-Tard of any Canadian-listed ETF. For those who believe in the power of Quebec businesses, it's not a bad play.

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. TSX:FFH (Fairfax Financial Holdings Limited)

## Category

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