

## Can Alimentation Couche-Tard Inc. Continue to Expand?

### Description

Companies typically expand in one of two ways: organic growth through new and reinvested capital or by opting to go the mergers and acquisitions' (M&A) path.

M&A come with their own set of challenges, but if executed correctly, a business could expand fairly quickly by acting on the best-possible deals. Completing a deal is only half of the equation though; integrating a myriad of different brands and overlapping footprints requires a certain art that only a handful of companies are successful at doing.

One company that has perfected this art is **Alimentation Couche-Tard Inc.** (TSX:ATD.B). For those who are unaware of the company, Couche-Tard is the name behind a number of fairly well-known convenience store and gas station brands, including Circle K, Kangaroo Express, Mac's, Ingo, and Topaz.

Over the past few years Couche-Tard has completed a number of fairly large acquisitions that have seen the footprint of the company shoot to upwards of 14,000 locations across North America, Europe, and Asia.

To put the company's aggressive growth into perspective, consider that in 1980 Couche-Tard opened its first convenience store in Quebec.

### Couche-Tard's latest acquisition is a big one

The most recent inductee into the Couche-Tard family is **CST Brands Inc.** ([NYSE:CST](#)), a San Antonio-based company that happens to also be the second-largest convenience store operator in North America with over 2,000 locations.

CST's has a vast network of locations with a focus on Texas, Georgia, the U.S. southeast, the U.S. southwest, New York State, and eastern Canada. When overlaid, CST complements Couche-Tard's footprint, which has weaker coverage in some of those regions.

The \$4.4 billion all-cash deal announced last month will be completed early next year and will likely require approval from the Competition Bureau. Couche-Tard has already agreed to sell approximately 45% of the CST retail locations in Atlantic Canada, Ontario, and Quebec to meet those concerns.

### Can Couche-Tard keep growing like this?

This is the question on the minds of investors and analysts alike.

Couche-Tard has gone through no less than four different acquisitions in the past year, and each time the company has emerged stronger and more integrated.

The company recently noted that as a result of the CST deal, Couche-Tard could expect to see

US\$150-200 million in annual cost savings over the next two to three years. This follows a similar pledge made last year when Couche-Tard purchased The Pantry Inc. and projected savings of US\$95 million within two years. Impressively, as of the most recent quarter, those savings have hit US\$71 million.

The other factor to consider is that while this latest deal will propel Couche-Tard to a network size of approximately 15,000 locations, the company will lag behind the largest convenience store operator in the world, which has 60,000 locations.

In other words, the market is not yet saturated, and there is still plenty of room to grow, and Couche-Tard isn't being coy about the fact that it's still looking for additional opportunities.

The company's success extends to the most recent quarterly report, in which Couche-Tard announced earnings of US\$324.4 million—an increase over the US\$297.8 million that Couche-Tard posted in the same quarter last year. In all, profits in the quarter were up by 9%, while overall revenues came in slightly lower as a result of lower fuel prices.

In my opinion Couche-Tard remains a great opportunity for those investors looking for long-term growth.

## CATEGORY

1. Investing

## Category

1. Investing

## Date

2025/07/30

## Date Created

2016/09/21

## Author

dafxentiou

default watermark

default watermark