

Alimentation Couche Tard Inc.: 2016 Recap

Description

On initial glance, it'd seem that **Alimentation Couche Tard Inc.** (TSX:ATD.B) has gone essentially nowhere year-to-date, as its shares have only appreciated 1.8%. Adding in the dividend, it would have returned 2.4% this year.

However, investors should note that at the start of the year, the leading convenience store and road transportation fuel retailer was trading at a relatively high multiple. Since then, the shares have experienced multiple contractions, while the company has delivered double-digit earnings-per-share growth.

In fact, the business has grown into a bigger and better company. Here's a recap of the food retailer's accomplishments for the year.

Acquisitions

Integrating acquired stores into the business is a meaningful part of Couche Tard's growth story.

Like previous years, Couche Tard has made a number of acquisitions this year. It acquired Topaz Energy Group, which was the leading convenience and fuel retailer in Ireland. The Topaz portfolio consisted of 444 stations across the island.

Couche Tard also integrated 278 Esso-branded fuel and convenience stores from **Imperial Oil** into its network. Of the sites, 82% are in Ontario (with most located in the Greater Toronto Area), and the rest are in the province of Quebec. It also acquired 23 sites from Premium 7 in Estonia.

The acquisitions of 53 sites in Louisiana, United States, and 2,000 locations from **CST Brands** are expected to close in early 2017.

 or type unknown

Photo: *Johan Backman*. License:

<https://creativecommons.org/licenses/by/3.0/>

Other developments

Couche Tard is in the midst of rebranding its stores to its international brand, Circle K, except for its stores in the Quebec province, where the company was founded.

So far, more than 1,400 stores have been rebranded globally, including more than 650 in Europe. Rebranded Statoil sites in Europe have resulted in higher customer traffic at those sites. Hopefully, the trend will continue for its subsequently rebranded sites.

Growth

Couche Tard's earnings per share have increased about 16% from the previous year. It has increased its dividend for six consecutive years, and this year it has raised its dividend twice.

The dividend-per-share payout for this year was 40% higher than it was for 2015, yet the company's payout ratio is still less than 12%.

Summary

Couche Tard is a leading convenience store operator and integrator with a total store count of about 10,800 across North America (75% of gross profits) and Europe (25%). It also has more than 1,500 licensed stores operated by independent operators internationally across 13 countries and territories.

The pullback to \$62 per share gives investors a unique opportunity to buy this high-growth company at a fair valuation based on a forward fiscal 2017 multiple of 19.6. Analysts believe Couche Tard can grow its earnings per share by 13-16% per year in the next three to five years.

CATEGORY

1. Dividend Stocks
2. Investing

PARTNER-FEEDS

1. Msn
2. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date

2025/08/14

Date Created

2016/12/13

Author

kayng

default watermark

default watermark