



What Makes Alimentation Couche Tard Inc. Such a Great Buy?

Description

Alimentation Couche Tard Inc. (TSX:ATD.B) is one of a handful of companies that continues to impress me. For those unacquainted with Couche Tard, the company owns brands such as Mac's to Circle K, operating over 10,000 gas station and convenience stores across North America, Europe, and Asia.

Here's a look at why Couche Tard represents a great opportunity for nearly any portfolio.

Couche Tard is a growth stock in disguise

At first glance, Couche Tard's stock price barely grew last year. The stock registered a tiny uptick of under 2% for the year — hardly what most would consider as a growth stock.

But there are two main reasons why it is a growth stock.

First, Couche Tard had a less than stellar year, but this largely due to external factors. The fact that a hurricane, oil pipeline leak, and a flood all took their toll on the stock — and within a relatively short period — is nothing short of extraordinary. Had any one of these events occurred in isolation, it would be considered a rare event, but for all three to occur within a short period is unheard of.

That Couche Tard still managed a small amount of growth is admirable and telling of just how great the earnings potential of the company really is (more on that in a moment).

Second, Couche Tard aggressively targets new opportunities for growth, which is accomplished primarily through acquisitions. Over the past year, Couche Tard has completed several acquisitions, ranging from the acquisition of 443 **Topaz Energy Group Ltd.** locations in Ireland to the acquisition of 279 Esso-branded stations and convenience stores primarily in Ontario from **Imperial Oil**. These acquisitions often need time to integrate with and benefit from being part of Couche Tard's massive network.

Great results now and in the future

Couche Tard recorded double-digit growth in earnings year over year and is forecasting impressive 37% EPS growth for this year. This is only expected to increase over the next few years as newly acquired locations are integrated into Couche Tard's network and rebranding efforts pick up pace.

Couche Tard has been rebranding many stores under the Circle K brand and has seen an increase in traffic from those locations that have already been rebranded.

Analysts agree that 2017 should be a strong year for Couche Tard; price targets set north of \$85 aren't uncommon. Couche Tard's dividend, which is currently just \$0.09 paid quarterly, can hardly be considered a great income option, but the company has raised the dividend in each of the past few years and twice last year.

If earnings are expected to grow as much as analysts are forecasting, the dividend could see another uptick as well.

Couche Tard currently trades at just over \$60 with a P/E of 23.18, and, in my opinion, represents a great opportunity for investors looking for growth, particularly over the long term. If analyst forecasts stand true, the current dip in price could represent one of the best and last opportunities to pick up the stock for a great price.

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Date

2025/07/29

Date Created

2017/01/11

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