Why Alimentation Couche Tard Inc. Should Be a Core Holding

Description

Alimentation Couche Tard Inc. (TSX:ATD.B) is the company behind a host of well-known convenience store brands, including Mac's, Couche Tard, Circle K, and Kangaroo Express. In all, Couche Tard has over 11,500 convenience stores and gas stations scattered across North America, Europe, and Asia.

So, what makes Couche Tard a great investment with lots of potential? It comes down to the following three key points.

1. Couche Tard's aggressive expansion is filling a need in the market

Saying that Couche Tard's expansion over the past few years is aggressive would be an understatement. The company has shown a near insatiable appetite for expanding when the opportunity presents itself, and there have been plenty of opportunities over the past few years.

Over 2,000 of the company's +2,000 locations were added through acquisitions in the past two years. Couche Tard also branched out into previously unserved markets across the U.S. and in Europe.

What's interesting about this expansion is that Couche Tard is the second-largest operator of convenience stores globally, but it has more stores than the next five-largest operators combined. This puts Couche Tard in a prime position to acquire and integrate the smaller players on the list into the growing Circle K (Couche Tard's preferred global brand) network.

2. Couche Tard is an integration and cost-cutting specialist

Being able to acquire smaller competitors is of no benefit unless there can be cost synergies associated with the added locations through those acquisitions. This one area where Couche Tard has made significant headway, yet those accomplishments aren't really touted for their long-term benefits on the performance of the stock.

By way of example, following the acquisition of The Pantry Inc. approximately two years ago, Couche Tard forecasted savings of $85 million; in the most recent quarter, those savings hit $78 million.

A similar effort is likely to follow with the Topaz brand which was acquired before the end of fiscal 2016.

3. Growth is set to continue in 2017 and beyond

It's no secret that Couche Tard is on the prowl for new acquisitions, while simultaneously integrating existing locations under the new global brand. The company has forecasted an incredible EPS growth of 37% for 2017.

In terms of stock growth, Couche Tard has appreciated by over 110% in a little under three years to the current stock price of just over $62. With a P/E of 23.90, some may find the stock a little expensive, but, in reality, the value and potential for growth over the long term make Couche Tard a great long-term holding.

Couche Tard also pays a monthly dividend in the amount of $0.09 per share, but this is unlikely to be a primary factor for investing in the stock, as the paltry 0.58% yield can be bettered by a variety of other investments.

Growth is definitely the primary reason to invest in Couche Tard, but it’s worth noting that Couche Tard has raised the dividend a handful of times over the past few years, and given recent results, the company is likely to raise it again.

In my opinion, Couche Tard represents a great long-term investment for those investors looking for growth.

CATEGORY

1. Investing

PARTNER-FEEDS

1. Msn
2. Newscred
3. Yahoo CA

Category

1. Investing

Date
2025/07/29
Date Created
2017/02/24
Author
dafxentiou