



## Is Alimentation Couche Tard Inc. Dead Money?

### Description

**Alimentation Couche Tard Inc.** (TSX:ATD.B) has been a wonderful investment in the long run. An investment bought in 2007, just before the market took a hit from the Financial Crisis, would have delivered annualized returns of about 28%.

For the last eight to nine months, though, the shares have taken a breather, have been consolidating, and have never traded far below \$60 per share.

Could this be an opportunity to buy some shares for long-term growth?

### Catalysts for growth

The convenience store operator and integrator has been rolling out its Circle K brand in North America, Europe, and licensed stores around the globe (with the exceptions of the ones in Quebec). Along with an easily recognizable brand, better products, and fast and friendly service, the company aims to spur growth.

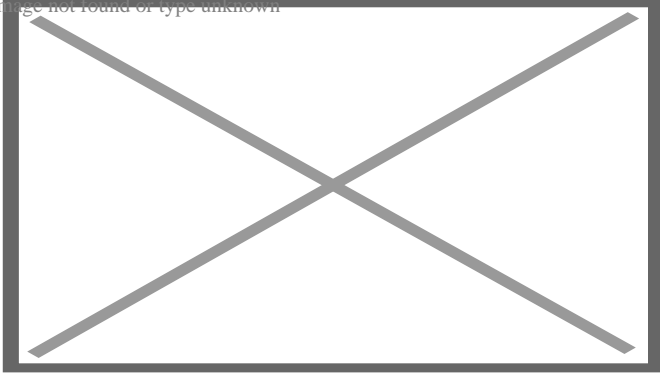
Another catalyst for growth is Couche Tard's integrations with its acquisitions, including The Pantry, **Imperial Oil**, Topaz, and Dansk Fuel. Just as it has in the past, Couche Tard will likely benefit from synergies and cost savings from integrating its acquisitions.

### Dividend growth

Although Couche Tard only yields about 0.60%, it has been very shareholder friendly with a fast-growing dividend. Its five-year dividend-growth rate is about 30% (its current dividend has more than tripled), and it has increased its dividend for seven consecutive years.

The company's payout ratio is still less than 13%. So, its dividend is very safe and has lots of room for future growth.

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## The business

Couche Tard has leading positions in the United States and parts of Europe.

As of the end of January, Couche Tard had 8,081 convenience stores throughout North America (in 41 states and 10 provinces), including 6,710 stores with road transportation fuel dispensing, 2,766 stores in Europe, and nearly 1,700 licensed stores in 13 other countries and territories.

## Are the shares a good deal?

At about \$62.60 per share, Couche Tard trades at a multiple of about 21.6 and a fiscal 2018 multiple of about 17.6. Analysts believe the shares can deliver strong double-digit growth for the next two years. So, the shares are pretty attractive at current levels.

Over the longer term, for the next three to five years, 16 analysts estimate Couche Tard can grow its earnings per share at a compound annual growth rate of 11.5-14.6%. So, the shares are reasonably valued for a long-term investment.

## Investor takeaway

Whether you're looking for near-term growth or above-average long-term returns from a proven company, Couche Tard is a strong investment candidate. Its fast-growing dividend is icing on the cake.

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