

Why Alimentation Couche Tard Inc.'s Asian Expansion Plan Is a Big Deal

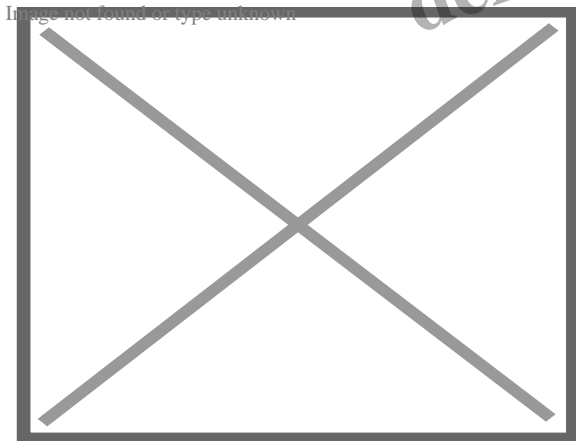
Description

Alimentation Couche Tard Inc. (TSX:ATD.B) is a convenience store growth king that has seen some impressive capital appreciation over the last decade. Although the stock has slowed down, the company's appetite for growth has not. Couche Tard is coming off one of its largest acquisitions to date with the recent deal to buy CST Brands.

There will be many synergies juiced from this deal, and it's expected to boost earnings over the medium term, but where is Couche Tard's next acquisition going to come from?

Couche Tard has its targets set on Asia

Alain Bouchard, co-founder of Couche Tard, was interviewed on BNN last week. He revealed that he's interested in an Asian expansion. Bouchard stated, "Our goal in the next five years is to be in Asia with our own equity on the grounds with one of our actual partners or with others." Although Couche Tard is a business that relies on M&A, Bouchard emphasized the importance of value hunting and not simply making as many acquisitions as possible in the shortest amount of time to keep short-term investors happy. Bouchard stated that the company will expand "with prudence ... [and] we see big opportunities in some Asian countries right now."



In a convenience store market growth forecast released by IGD Research, Asian countries such as Vietnam and the Philippines are expected to see compound annual growth of 37.4% and 24.2%, respectively, over the next four years. Nick Miles, head of Asia-Pacific at IGD, stated that "retail markets in these ... countries are gradually shifting from traditional to modern trade and several factors are driving this." Such factors include economic growth and an expected increase in GDP per capita.

Mr. Miles stated the consumers' shopping habits have changed significantly of late. "Convenience stores in Vietnam have become popular destinations for young consumers to shop and hang out." This is an area that Couche Tard has been looking into to add "premium features" with some of its European locations, providing the full experience that goes beyond your traditional convenience store.

These include places for seating, air conditioning, and even WiFi. A customer could go in, do some shopping and sit down to enjoy their cup of coffee like they would at a coffee shop.

The emerging Asian market is an opportunity that will give Couche Tard a huge boost over the next five years. The convenience store of tomorrow is going to be considerably different from the “in-and-out” stores that we’re used to, and I believe the management team’s ability to adapt and expand will deliver huge returns for long-term shareholders who seek growth.

The management team is one of the best in the business, and it’s only interested in creating value for long-term shareholders. The company will only make a deal where value can be realized through synergies or by other means. Going forward, Couche Tard will likely be making huge deals to expand into various Asian countries, and I believe these deals will be an earnings driver for years to come. Those who think Couche Tard is slowing down are mistaken. The company is firing on all cylinders, and I think the stock is well positioned to break out over the course of the year.

The management team’s discipline and focus on value are some of the reasons why Couche Tard has been an outperformer over the last decade, and why it will continue to be a star over the next decade. I would recommend picking up shares now, as they’re undervalued when you consider the fantastic growth prospects.

Stay smart. Stay hungry. Stay Foolish.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

PARTNER-FEEDS

1. Msn
2. Newscred
3. Yahoo CA

Category

1. Investing

Tags

1. Editor's Choice

Date

2025/08/21

Date Created

2017/05/22

Author

joefrenette

default watermark