



## Get This Proven Growth Stock Before it Runs Away From You

### Description

Shares of **Alimentation Couche Tard Inc.** (TSX:ATD.B) have traded more or less sideways since July 2015 with a midpoint of roughly \$60-61 per share. Last week, the shares appreciated about 4%. Investors looking for total returns should consider buying Couche Tard because there are multiple catalysts that can push the shares higher.

First, here's an overview of the company.

### The company

Couche Tard is a leading convenience store operator in North America and Europe. It has a track record of making acquisitions and integrating them into its network successfully. Additionally, it does a good job of identifying synergies and then benefiting from them.

In the latest fiscal quarter, at the end of January, Couche Tard's network consisted of more than 12,500 stores. It had 8,081 convenience stores throughout North America, of which 83% had road transportation fuel dispensing. These stores cover 41 states in the United States and all 10 provinces in Canada.

In Europe, Couche Tard operated a retail network comprised of 2,766 stores across Scandinavia, Ireland, Poland, the Baltics, and Russia. Additionally, under licensing agreements, Couche Tard had nearly 1,700 stores in 13 other countries or territories, including China, Egypt, Honduras, Indonesia, and Malaysia.



## Catalysts to drive higher share prices

Couche Tard has been converting its North American and European stores to the global banner Circle K, which will allow the company to focus its marketing efforts and should increase brand recognition internationally.

Moreover, Couche Tard expects to close the **CST Brands Inc.** ([NYSE:CST](#)) acquisition sometime between April and September 2018. Like in previous acquisitions, Couche Tard will likely identify synergies and best practices that the company can benefit from.

CST is a strong fit to Couche Tard. CST will add more than 1,300 stores to Couche Tard's North American network. It will also allow Couche Tard to gain a strong presence in the growing Texas market, in which CST has more than 600 stores. CST also has stores in Georgia, Florida, Colorado, Arizona, Quebec, and Ontario, which will strengthen Couche Tard's position in those states and provinces.

Couche Tard has maintained a return on equity of at least 20% since fiscal 2010, while its number of outstanding shares has remained essentially the same. This suggests that Couche Tard is an outstanding capital allocator. In the latest fiscal quarter, its return on equity was 22.6%.

Since 2006, Couche Tard has increased its dividend at a high rate. Its three-year dividend-growth rate is 33%. Its payout ratio is sustainable at about 10%.

## Investor takeaway

At about \$64 per share, Couche Tard trades at a reasonable multiple of 21.2 with a consensus of analysts estimating its earnings per share will grow at a compound annual growth rate of 11.5-14.6% for the next three to five years.

With growing earnings, a history of strong dividend growth, and a sustainable payout ratio, you can bet management will continue growing its dividend at an above-average rate this year. It is a good time to buy some shares while they're reasonably priced and before the CST acquisition closes.

## CATEGORY

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