

Alimentation Couche Tard Inc. Is an Impressive Buy

Description

Alimentation Couche Tard Inc. (TSX:ATD.B) never ceases to amaze me.

First, it was the stellar growth of the company in a relatively short amount of time which allowed it to become one of the largest convenience store and gas station operators in the world. Then was my realization that Couche Tard had such an extensive brand portfolio, and that this relatively unheard of (at least to me) company was the name behind several convenience store locations that I frequent.

Now, Couche Tard is looking to shake things up by seeking permission to sell cannabis in its locations across Quebec once recreational use of cannabis becomes legal in Canada, which is expected to take effect next summer. The proposed legislation to legalize the recreational use of cannabis was presented to parliament this past spring.

Among the benefits cited as part of that legislation are that proceeds from sales will be kept away from criminals, and that the regulated sales of cannabis will keep the drug away from youngsters, much like tobacco sales are restricted by age.

Could Couche Tard sell cannabis?

Couche Tard already sells tobacco and alcohol products in Quebec, so adding cannabis to the list of products with similar restrictions would seem a natural extension.

To that end, it's unclear if Couche Tard would seek to sell cannabis in locations outside Quebec, but the company has already hired a lobbyist to work on its behalf in the Quebec market.

Quebec is prepping to introduce its own legislation on legalization this fall, and a cannabis-distribution system seems more than likely to be included as part of that legislation.

What does this mean for investors?

Over the short term, this news means little to investors. Legalization is still more than a year out at the federal level, and the provinces will still need to do their part, as Quebec is starting to do.

Should Couche Tard succeed in being allowed to sell cannabis at its convenience stores, the result could prove to be a huge win for the company, which already has a long series of wins.

Investors will more likely be attracted to Couche Tard's stellar growth and acquisition history — the real reasons to invest in the company.

Couche Tard's Asian invasion

In an interview last month, Couche Tard co-founder Alain Bouchard stated that the company's focus over the next five years would be expansion in Asia, and not just by buying smaller competitors in that

market, but also by seeking value in those acquisitions.

Parts of Asia are currently undergoing a massive boom in terms of wealth creation and infrastructure development. In some of those countries, such as Vietnam and the Philippines, convenience store growth is set to grow by double-digits over the next few years.

As those markets continue to evolve, the traditional view of a convenience store is also evolving. That evolution includes adding WiFi, air conditioning, and seating areas in some stores, so the stores become more of a destination for customers, rather than merely a stop on the way to somewhere else. The idea is sound — a customer that stays on site is a customer that will buy something else.

In my opinion, Couche Tard remains a great investment opportunity for long-term growth.

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Author

dafxentiou

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