

# When Shopping for Stocks, Alimentation Couche Tard Inc. Should Be Your Next Stop

## Description

As its name implies, a convenience store is a convenient place to buy a multitude of items, like food, beverages, cigarettes, newspapers, gas, and much more. There are plenty of convenience stores in every city, but the ones operated by **Alimentation Couche Tard Inc.** (TSX:ATD.B) are crushing the competition.

Its stock has been having a strong performance for a long time, and its future is still looking very good. But is it the time to buy this stock right now?

## Excellent performance

Couche Tard's stock performance is very impressive. Indeed, its 10-year compound rate of return is 23.49%. Very few stocks show such strong returns over a long period. If you had invested \$10,000 in Couche Tard 10 years ago, you would have about \$80,000 in your pockets today.

You'll have a good return on the money you invest in this company with a return on equity of 21.58% and a return on invested capital of 14.42%. Based on its net profit margin of 3.19%, Couche Tard is among the more effective companies in the food distribution and convenience stores industry at turning revenues into profits.

Couche Tard has grown a lot in the past, and it's still showing strong growth. Net income grew by 4.73% year over year to \$0.50 per share during last quarter. With a forward P/E of 14.07, you get strong growth for a relatively low price.

Couche Tard has increased its quarterly dividend twice a year since 2013. The last rise occurred at the end of last year, when the company increased the dividend at \$0.09 per share — up 16.13% from the previous dividend. This gives a yield of about 0.54% given the current stock price.

There is still room for much more dividend growth. The company is generating \$2 per share, and it is paying \$0.24 in dividends, giving it a payout ratio of just 11.8%.

## Expansion and diversification

Couche Tard is the biggest convenience store chain through North America. It operates its stores in Canada, in the U.S., and in Europe. Management will continue to make acquisitions and pursue growth in the world, especially in the Asian market.

Couche Tard is expanding its head office located in Laval, Quebec, and will also be hiring 200 new employees in July. After having made many acquisitions during the past few years, the company will have 500 employees as of next month.

The 2016 year was a busy one for Couche Tard. It added over 100 Esso gas stations to its network and realized the biggest financial transaction of its history by buying its American competitor CST Brands for US\$4.4 billion.

However, Couche Tard might have to close a few stores in Ontario when the rise of minimum salary to \$15 per hour comes into effect. Couche Tard founder and executive chairman Alain Bouchard thinks that the company will still be able to succeed because of its huge size.

In a near future, you could buy cannabis alongside your beer, chips, and cigarettes at a Couche Tard store in Quebec. The company is showing interest in selling cannabis in its stores, and while the legalization of marijuana in Quebec will not come into force until next year, it has hired a lobbyist to ensure that the government is going to study its proposition. Couche Tard is already selling tobacco and alcohol, so selling cannabis is a logical move.

Given its solid financial statements and projects of expansion, Couche Tard stock is a clear buy to me. If the company gets the permission to sell cannabis in its stores, I have no doubt it will attract a lot of customers, maybe even new ones.

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## Date

2025/07/03

## Date Created

2017/06/20

## Author

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