COMPANY NAME
Address | Phone | Link | Email

A Look at Alimentation Couche Tard Inc.’s Recent Earnings

Description

Unlike conventional retailers, convenience stores have a lot more staying power and long-term potential. As long as people will drive vehicles (electric or gas) that need refilling at a station, convenience stores are in no imminent danger of becoming obsolete.

In fact, there is plenty of opportunity for growth as more vehicles get on the road as populations continue to grow.

Alimentation Couche Tard Inc. (TSX:ATD.B) is a well-known company that owns many big-name convenience stores, including Mac’s, Circle K, and On the Run.

The company has reach all over the world with operations in Canada, the United States, and several countries in Europe. Geographically, there is still room for Couche Tard to grow. One way the company has grown so far has been through acquisitions.

Couche Tard recently acquired U.S. company Holiday Stationstores, Inc. which will now give Couche Tard a reach into as many as 48 U.S. states.

Last year Couche Tard also acquired another big convenience retailer in the U.S., CST Brands Inc., which has 1,900 location across Canada and the U.S. These acquisitions should help propel the company’s U.S. sales.

The company recently released earnings. Although the earnings covered an extra week than in the previous fiscal year, they showed a growth in revenue of 11% along with a modest 1% growth in the bottom line.

Surprisingly, despite its strong Canadian presence, most of Couche Tard’s sales have come from outside its native country. Sales from the U.S. were over $24 billion for the most recent fiscal year. Europe made up $8 billion in sales, which was still more than Canada at under $5 billion.

However, despite the strong sales, the U.S. segment had the lowest gross margins with only 16% compared to Europe and Canada, which averaged over 18%.

For the fiscal year end, the company reported diluted EPS of 2.12 — a slight improvement from last year. With a share price trading over $62 that puts its price to earnings multiple at over 29, which is what you would expect of a high-growth stock.

One way to put the valuation into perspective is to factor in the company's growth using the PEG ratio. Over the past four years, the company's compounded annual growth rate has been 20.55%. Dividing the price to earnings multiple by the growth rate yields a PEG ratio of 1.4. With a value of over one, the PEG ratio suggests the stock may be a bit expensive for the growth that it has shown over the years.

With the acquisitions Couche Tard has made in the past 12 months, the company could see the growth rate improve significantly from the relatively flat performance the company had the past year. If that happens, that will improve the company's PEG ratio and might make it an attractive purchase.

The prior fiscal year, the company had a profit growth of over 28%. Fiscal 2017's growth was the lowest the company has had in the past five years, and the second lowest was 15%.

It has certainly been an off year for Couche Tard, and whether or not it can return to its strong growth of previous years will determine which direction the stock will go.

CATEGORY

1. Investing

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Date
2025/09/02
Date Created
2017/07/15
Author
djagielski