



## Why Alimentation Couche Tard Inc. Rose 2.64% on Wednesday

### Description

**Alimentation Couche Tard Inc.** (TSX:ATD.B), one of world's largest owners and operators of convenience stores and gas stations, announced its fiscal 2018 first-quarter earnings results before the market opened on Wednesday, and its stock responded by rising 2.64% in the day's trading session. The stock still sits more than 11% below its 52-week high of \$68.63 reached back in September 2016, so let's break down the quarterly results and the fundamentals of its stock to determine if we should be long-term buyers today.

### A very strong quarterly performance

Here's a quick breakdown of 10 of the most notable financial statistics from Couche Tard's 12-week period ended on July 23, 2017, compared with its 12-week period ended on July 17, 2016.

Metric	Q1 2018	Q1 2017	Change
Road transportation fuel revenues	US\$6,820.0 million	US\$5,661.2 million	20.5%
Merchandise and service revenues	US\$2,779.8 million	US\$2,532.8 million	9.8%
Other revenues	US\$247.4 million	US\$226.6 million	9.2%
Total revenue	US\$9,847.2 million	US\$8,420.6 million	16.9%
Gross profit	US\$1,738.8 million	US\$1,519.4 million	14.4%
Adjusted EBITDA	US\$715.3 million	US\$615.7 million	16.2%
Operating income	US\$510.8 million	US\$458.8 million	11.3%
Adjusted net earnings	US\$381.0 million	US\$327.0 million	16.5%
Adjusted earnings per share (EPS)	US\$0.67	US\$0.57	17.5%
Net cash provided by operating activities	US\$521.5 million	US\$413.2 million	26.2%

### What should you do with the stock now?

It was an excellent quarter overall for Couche Tard, so I think the market reacted correctly by sending its stock higher, and I think it still represents a very attractive long-term investment opportunity for three

fundamental reasons.

First, it's one of the top growth stocks in the industry. Couche Tard grew its adjusted EPS by 6.3% to US\$2.21 in fiscal 2017 and by 17.5% to US\$0.67 in the first quarter of 2018, which puts it well on its way to achieve the 23.5% growth to US\$2.73 that analysts currently expect it to report in the full year of fiscal 2018. The company is expected to achieve double-digit percentage EPS growth beyond fiscal 2018 as well, as analysts currently project 12.8% growth to US\$3.08 in fiscal 2019 and have assigned an estimated 16.4% long-term earnings-growth rate.

Second, it's undervalued. Couche Tard's stock trades at just 22.4 times fiscal 2018's estimated EPS of US\$2.73 and only 19.8 times fiscal 2018's estimated EPS of \$3.08, both of which are inexpensive given its aforementioned growth rates.

Third, it's a dividend-growth star. Couche Tard pays a quarterly dividend of \$0.09 per share, equal to \$0.36 per share annually, which gives its stock a 0.6% yield. A 0.6% yield is far from high, but what it lacks in yield it makes up for in growth; the company has raised its annual dividend payment for eight consecutive years, and its 16.1% hike in November has it positioned for fiscal 2018 to mark the ninth consecutive year with an increase, and I think its very strong financial performance will allow this streak to continue for decades.

With all of the information provided above in mind, I think all Foolish investors should strongly consider initiating long-term positions in Couche Tard today with the intention of adding to those positions on any significant pullback in the future.

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