

## Why Alimentation Couche Tard Inc. Is a Must-Buy Despite Hurricane Fears

### Description

Shares of **Alimentation Couche Tard Inc.** (TSX:ATD.B) rallied over 3% following a solid earnings beat, which saw the company clock in an adjusted EPS of \$0.67, beating analyst expectations by a cent. What prevented the company from knocking one out of the ballpark this fiscal quarter was the fact that same-store sales were quite modest and a bit lower than what the general public was expecting. Although shares of Couche Tard have put the brakes on over the past year, I still believe that over the long term, that earnings growth will pick up and the stock will eventually find positive momentum again.

### Decent fiscal Q1 2018 quarter dampened by tough weather conditions

Although Couche Tard managed to beat expectations on earnings by a hair, the company experienced tough conditions in Scandinavia, the southeastern U.S., and eastern Canada. While there were notable improvements in gross margins, the poor weather conditions prevented Couche Tard from really delivering a convincing earnings beat to trigger a rally past its long-term resistance levels at the low \$60 levels.

There were many positive developments from the quarter, but I believe many anomalies like bad weather conditions for the summer prevented the stock from really breaking out. Overall, I'm bullish on the improvements made in the quarter, and I believe shares may be in for a huge upward surge sometime over the next year.

I think the post-earnings rally was warranted, but I don't think the quarter will trigger a rally past the stock's long-term resistance levels. However, long-term investors should certainly treat the quarter as a sign of good things to come.

### Could hurricanes hurt upcoming quarters?

There's no question that hurricanes have had a catastrophic impact on the southern U.S. of late, and, unfortunately for Couche Tard, sales from the recently acquired CST Brands locations may suffer over the short term. Hurricanes Harvey and Irma will likely hurt fiscal Q2 2018 results, but it's important to note that the effects of these hurricanes are short-term headwinds and will not hurt the company's long-term fundamentals.

I believe such short-term headwinds present a tremendous long-term buying opportunity for those looking for EPS growth north of 20% over the next few years. There are still a great deal of synergies that will be unlocked from the CST Brands deal, and it's expected that even more accretive acquisitions will be made as time progresses.

### Bottom line

Many momentum investors have thrown in the towel with Couche Tard, but I believe there's still a great

deal of long-term growth to be had for those who are patient enough to ride out the short- to medium-term headwinds. The convenience store industry is still extremely fragmented, and I believe growth stagnation may be more than a decade away.

I believe Hurricanes Harvey and Irma will have an impact on the next quarter, but it's likely that the fears over this are already baked in to the stock. I'd strongly recommend accumulating shares now and on any further signs of weakness.

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