

Some Interesting Developments for Alimentation Couche Tard Inc.

Description

Alimentation Couche Tard Inc. (TSX:ATD.B) has been rumoured to be the potential acquirer of the convenience store business owned by **Kroger Co.** ([NYSE:KR](#)). Kroger recently stated that it's intending to explore "strategic alternatives" for its convenience store business and was open to the potential sale of its 784 convenience stores across 18 states.

Kroger's c-stores: the perfect next target for Couche Tard?

Couche Tard has been a successful global convenience store consolidator over the years, so it's not a mystery that Couche Tard would probably be in the running to add Kroger's c-stores to its continuously growing portfolio. Such an acquisition would open the door to substantial synergy opportunities. If such a deal is made, shares of ATD.B could enjoy a much-needed upward surge over the near term.

Kroger's convenience stores generated approximately \$4.4 billion worth of revenue last year and have enjoyed 62 straight quarters of same-store sales (SSS) growth thanks in part to renovations. There's a considerable amount of momentum that Kroger's c-stores have been experiencing, and there's no question that Couche Tard could accelerate SSS further through its initiatives.

In addition, the acquisition of Kroger's c-stores would give Couche Tard exposure to Pennsylvania, which is a market that Couche Tard hasn't penetrated yet. It really does seem like a perfect fit for Couche Tard, and if a deal is done, earnings would gradually enjoy a bump over the medium term as synergies are gradually realized once integration finishes.

Metro, Inc. to sell a majority of its ATD.B shares

Many investors were worried that **Metro, Inc.** ([TSX:MRU](#)) would be dumping a huge chunk of ATD.B shares to finance its latest \$4.5 billion deal to buy Jean Coutu Group PLC Inc. The company recently announced its intent to sell approximately \$1.5 billion worth of Couche Tard shares at ~\$57.17 per share.

In response to Metro's sale of ATD.B shares, Couche Tard stated its plans to repurchase 4.4 million shares using cash, revolving credit facilities, and proceeds from the future sale of non-strategic assets in a transaction worth around \$250 million.

The sale has nothing to do with the recent weakness in Couche Tard's share price, it just happened that Metro needs the cash at this time following its latest deal to prepare for a disruption to the Canadian grocery scene. As a long-term investor, I certainly wouldn't think too much of Metro's ATD.B share sale.

Bottom line

Couche Tard has flat-lined for a ridiculously long time now. Going forward, I expect earnings growth to re-accelerate, as the company realizes synergies from its latest acquisitions. In addition, the company

may start pulling the trigger on takeover targets again as opportunities present themselves.

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