Looking for Diversification? This 1 Company Has You Covered

Description

Diversification is a broadly used term, typically viewed in North American stock markets as a strategy to minimize risk by buying different securities encompassing a range of asset classes, risk profiles, and geographies. Geographic diversification is something many Canadian investors do not do well; studies have shown that Canadian investors overall focus far too much of their portfolio on North America alone, often foregoing global opportunities that may be much more profitable in the long term than domestic equities, which appear to be overpriced at current levels.

One company which brings Canadian investors the best of both worlds, providing domestic ease of access (traded on the Toronto Stock Exchange) and global diversification opportunities is **Alimentation Couche Tard Inc.** (TSX:ATD.B).

This Canada-based operator of a large network of retail stores and convenience stores/gas stations has grown into a global conglomerate blanketing North America (every Canadian province and more than 40 states in the U.S. market) and more than a dozen other countries around the world with convenience stores and gas stations. Perhaps it's not a glamorous business, but the services Couche Tard provides are essential to everyday consumers, with relatively high margins and scalable business models, which accommodate Couche Tard's growth strategy well.

Couche Tard has grown its portfolio of more than 15,000 locations worldwide largely through acquisitions. The company's portfolio of real estate and operating businesses provides the company with a large number of assets with the ability to be highly leveraged, leading to growth opportunities few other businesses have (think REITs or other real estate-focused businesses).

Over the past five years, Couche Tard's share price has more than tripled, as the company has continued to grow its base of stores through strategic bolt-on acquisitions. The ability of the company to add accretive growth, which has continued to immediately impact earnings, has allowed investors to reap the near-term benefit of the company's long-term growth model, allowing for more rapid stock price appreciation that the vast majority of the company's peers. That said, over the past 12 months, shares of Couche Tard have actually traded down 10% on a lack of forward momentum and speculation that the company may be slowing its pace of growth.

Bottom line

Couche Tard remains one of the best operators in its space, providing investors with excellent returns year after year. In the absence of any major acquisition announcement of late, the company's share price has stagnated, leading to a potential opportunity for investors wanting to add some growth to their portfolios at a reasonable price. Couche Tard's valuation remains reasonable, and the company's long-term growth trajectory indicates its current share price may be undervaluing its long-term growth potential.

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