Alimentation Couche Tard Inc.: An Undervalued Growth Stock That Could Fly High in 2018

Description

Alimentation Couche Tard Inc. (TSX:ATD.B) shares are down ~7% over the past year thanks to many investors throwing in the towel over a variety of short-term concerns. Hurricanes, uncertainty over the rise of self-driving cars, and slower than expected synergy realizations from CST Brands caused many impatient investors to give up on the company, despite its promising long-term growth outlook.

I believe Couche Tard is one of the most attractively valued growth stocks available today — not just on the TSX, but in all of North America. Here's why smart investors should seriously think about accumulating shares today before they get back on their upward trajectory.

As the TSX and U.S. indices set new all-time highs, valuations are starting to become frothy, and value is becoming tougher to find, especially in the U.S., where investors are euphoric over Trump's corporate tax-cut proposals, which will likely "make America rich again" over time. There's no question that businesses within the U.S. are slated to enjoy medium-term tailwinds; however, many stocks already have this baked in to their current share prices.

Couche Tard, however, is a Canadian company that's arguably one of the best value plays out there, and it can give investors instant diversification into the hot U.S. market in addition to the European and Asian markets, both of which offer a tonne of room for expansion.

While Couche Tard is obviously a Canadian company with roots in Quebec, the company actually has an incredible global footprint, which is growing as the years progress. More recently, Couche Tard co-founder Alain Bouchard recently shed light on his plans for an aggressive Asian expansion; has many markets that are expected to deliver double-digit compound annual growth rates (CAGR) over the next four years, according to a convenience store study conducted by IGD Research. The Vietnamese and Philippine markets are expected to see c-store CAGR of ~37%, and ~24%, respectively, over the next four years, so such an expansion will likely send ATD.B shares skyrocketing.

Bottom line

The long-term thesis is still intact. Although Couche Tard is a huge company with its $35.46 billion market cap, it still has the capacity to grow like a small-cap stock would. As synergies are gradually realized from the CST Brands acquisition, and as management pulls the trigger on more deals, I expect Couche Tard shares will spike after being flat for just over two years.

Shares trade at a forward price-to-earnings multiple of 15.5 and a price-to-book multiple of 4.1, both of which are lower than the company's five-year historical average multiples of 20.9 and 4.4, respectively. The stock is cheap right now, but I don't think it'll remain this cheap forever, especially once earnings growth is back in high gear.

If you're a long-term investor who's able to see past the company's short-term issues, Couche Tard is one of the best bets in the market today.

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