This Overly Beaten-Up Growth Stock Is a Timely Gift Courtesy of Mr. Market

Description

Alimentation Couche-Tard Inc. (TSX:ATD.B) investors can't seem to catch a break, as shares plunged 6.45% on Tuesday following what was deemed a very underwhelming earnings report. The stock has really gone nowhere for over two years now, and the recent post-earnings fall was the largest single-day dip in over two years.

Fellow Fool contributor Karen Thomas did a great job of going into further detail on Couche-Tard's sub-par earnings report. Ultimately, the main takeaway was the fact that fuel margins have fallen, and the company is still feeling the effects of Hurricane Harvey, which negatively impacted same-store sales growth (SSSG) for the quarter. There's no question that these hurricane-related declines are likely one-time issues; thus, I believe the single-day 6.45% dip was way overblown, especially when you consider the long-term synergies that still stand to be unlocked from the CST Brands and Holiday acquisitions.

On the surface, it appears that Couche-Tard's amazing run has come to an end; however, I do not believe the company is facing slowed growth, especially when you consider the unfortunate events that have caused the "perfect storm," dampening a quarter that was expected to be huge in the way of EPS growth.

Couche-Tard is a global convenience store player, and the industry is still very much fragmented, leaving a tonne of long-term growth potential for efficient industry consolidators like Couche-Tard. In addition to growth via M&A, the company also has the opportunity to reinvent the convenience store experience to keep up with rapidly changing consumer demands.

In an age of technological innovation, convenience is key, and with Couche-Tard's solid management team, I have no doubt that the convenience store of the future will be very different than it is today. With cannabis potentially being thrown into the mix, there are ample opportunities to drive store traffic to beef up SSSG in conjunction with the company's inorganic expansion efforts.

Bottom line

In the meantime, management will still be busy juicing synergies from its recent acquisitions while potentially being on the lookout for the next big takeover.

After the recent plunge, Couche-Tard shares now trade at 19 times trailing earnings, which, I believe, is an absolute steal for an earnings-growth stock that has been slowed of late due to a "perfect storm" of short-term headwinds.

The current valuation implies that growth has dried up, but this is simply not the case, as Couche-Tard can and will begin to pull the trigger on acquisitions again at a fast and furious rate. The growth story is far from being over, so the recent post-earnings sell-off is an incredible gift courtesy of Mr. Market.

I suspect the recent dip was exacerbated by impatient investors who were looking for a big bounce, as the recent quarter had the potential to be a grand slam home-run on the earnings front. Couche-Tard is a cheap stock with ample long-term upside, but investors will need to demonstrate incredible patience to reap the long-term rewards.

If you’ve got a time horizon of at least five years, Couche-Tard is a must-own today, as you’re getting a diamond in the rough that will inevitably shine again.

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