



Now Is a Great Time to Buy Alimentation Couche-Tard Inc.

Description

The market pullback that we've witnessed over the past few months has provided us with a unique opportunity to pick up some great [growth and income picks at discounted prices](#).

The pullback has also resulted in some stocks slowing what was an impressive run on growth, one of which is **Alimentation Couche-Tard Inc.** (TSX:ATD.B).

Couche-Tard's third-quarter results weren't that disappointing

Recent skeptics of Couche-Tard point to the company's recent third-quarter results, which failed to impress investors that have come to expect better from the convenience store and gas station behemoth.

Since those results were reported last month, the stock has retreated by 15%, but despite that negative take on the quarter, there were more than a few positive notes to take from the quarterly update.

Revenues continued their upward trajectory, coming in 38% better than the same period last year. Per-share earnings of \$0.82 came in \$0.32 higher than the same quarter last year, reflecting a 64% increase.

While much of that boost could be attributed to the changes in U.S. Tax laws, even without the changes, the company still would have realized growth in the quarter.

The primary method in which Couche-Tard has grown over the years has been through acquiring smaller players in the market and rebranding them under Couche-Tard's growing banner of stores. Late last year, Couche-Tard continued that trend with the acquisition of Holiday Stationstores LLC., which maintains and operates 516 gas and convenience locations scattered across the U.S. Midwest region and in Alaska.

Future prospects

Apart from Couche-Tard's aggressive stance to acquisitions, there are several compelling reasons for investors to consider this stock.

The first point has to do with Couche-Tard's acquisition tactics. The company is not only targeting smaller players in the market, but it's also targeting players that are in new markets. The Stationstores acquisition will bulk up the company's presence in the Midwest, much like what the massive multi-billion-dollar deal to acquire CST Brands Inc. last year did to increase Couche-Tard's presence in the U.S. South.

The second point has to do with the period following acquisitions. The CST merger was a US\$4.5 billion behemoth deal, and the Stationstores deal was over US\$1 billion. Between those two acquisitions, there are over 2,400 new Couche-Tard locations added to the network in a span of under two years.

This creates an incredible opportunity to realize cost savings and synergies, which the company has noted in the past in relation to the CST merger as well as others before it.

In other words, the less-than-stellar results are not taking into consideration the potential cost savings that will be realized over the next few quarters, as the new locations become integrated parts of Couche-Tard.

Finally, Couche-Tard has expressed an interest in the past to be open to selling marijuana in its locations in Canada once legalization comes into effect later this year. At the time of the announcement, the company raised the valid point that cigarettes and alcohol are already subject to similar purchasing restrictions that marijuana will have, making it an easier transition for its employees than opening new stores and training staff.

Should you invest in Couche-Tard?

The recent pullback in price is a unique opportunity for investors to be greedy and purchase a major player in a lucrative business.

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