



Can You Believe How Cheap This Growth Stock Is?!

Description

Alimentation Couche-Tard Inc. (TSX:ATD.B) is a convenience store leader with strong positions in North America and certain parts of Europe. It also offers road transportation fuel at most of these locations. It has stores under licensing agreements in 14 other countries and territories.



Couche-Tard is a great value right now!

[Couche-Tard has outperformed](#) in the long haul, but the market has been ignoring the stock because its recent performance has been disappointing; in the last three years, an investment delivered ~5.9% per year.

However, a part of the underperformance is because the stock has been expensive in the last few years. Based on its price-to-earnings multiple, Couche-Tard stock is the cheapest it's been since 2013.

The analyst consensus from **Thomson Reuters** estimates the company will grow its earnings per share by 17.8% per year on average for the next three to five years. At \$53.90 per share, Couche-Tard stock trades at a P/E of ~16.2. So, it's a great value right now!

What's preventing the stock from heading higher?

First, Couche-Tard continues to integrate its recent acquisitions with the goal of realizing synergies. And it's going to take a number of years for the company to digest and deleverage.

For example, Couche-Tard continues to integrate CST Brands, which it acquired for ~US\$4.4 billion in August 2016. Management forecasts that its synergies will reach ~US\$215 million over the three years following the transaction.

In December 2017, Couche-Tard acquired Holiday for ~US\$1.6 billion. Holiday has an important presence in the upper Midwest United States in 10 states, of which six were new to Couche-Tard. Management estimates that it will realize annual synergies of US\$50-60 million over the three to four years following the transaction.

Second, Couche-Tard has a number of brands under its umbrella, including Statoil, Mac's, and Kangaroo Express. Since September 2015, it has been replacing these brands with its global convenience brand, Circle K, except for its stores in Quebec, where the company was founded. This process is going to increase the company's capital spending temporarily. Until February, Couche-Tard had revamped about a quarter of its stores in North America and more than half of its stores in Europe.

Investor takeaway

Couche-Tard has been [a strong free cash flow generator](#) and will maintain that status well into the future. The stock has been consolidating in the last few years and is finally trading at an attractive valuation.

If the company can integrate its acquisitions and realize synergies and roll out the Circle K brand in North America and Europe with success, the longer the stock consolidates, the higher the stock can move when management comes out with good news.

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