Alimentation Couche-Tard Inc. (TSX:ATD.B) Sees Profits Soar 42%: Time to Get Greedy!

Description

Alimentation Couche-Tard Inc. (TSX:ATD.B) knocked one out of the ballpark with its fourth-quarter results that were released on Monday after the close.

Profits for the quarter rose 41.5% thanks in large part to synergies realized from the Holiday and CST Brands acquisitions. The company noted that it achieved synergies of $153 million from CST Brands in under one year's time, thereby exceeding management's initial expectations.

Talk about setting the bar low and pole-vaulting right over it!

Attributable net income jumped to $392.7 million ($0.70 per share), up from $277.6 million ($0.49 per share) during the same period last year. One-time items aside, EPS was at $0.59 per share, thereby beating analysts' expectations of $0.55 per share.

Total revenues for the quarter surged to $13.61 billion, up from $9.62 billion clocked in during the same period last year. The fuel retail business, which was a drag in previous quarters, experienced a 48% surge to approximately $10 billion in spite of higher fuel prices. Also, U.S. fuel margins bounced back 4.5% year-over-year, which goes to show that higher fuel prices aren't necessarily directly proportional to fuel margins.

In a previous piece, I noted that Couche-Tard was plagued by a "perfect storm of one-time issues," which dampened results in past quarters but paved the way for a breakout down the road. This recent quarter, I believe, is the just the start of a sustained rally back to the company's long-term $68 level of resistance. After spending a few years treading water, I think this outstanding quarter will serve as an inflection point as the stock returns to the good books of Canadian growth investors.

Could Couche-Tard make up for lost time in the year ahead?

I think the dark days are already in the rear-view mirror for Couche-Tard.

The stock trades at a ridiculously cheap 13.9 times forward earnings at the time of writing, a valuation that's more indicative of a low-growth utility, not a growth stock with the capacity to deliver consistent double-digit earnings growth numbers over the long haul. The company is in the boring, low-tech business of convenience stores, but it's not a stalwart, although the recent stock chart may be suggestive of such.

Couche-Tard is an international consolidator of convenience stores, so the world is Couche-Tard's oyster. The global convenience store space remains extremely fragmented, leaving ample accretive acquisition opportunities for Couche-Tard over the next 10, 20, even 30 years. Simply put, the growth ceiling is high in spite of the company's large market cap and the recent stagnation in shares.

Moreover, the management team is best-in-breed. They have a proven growth formula: acquire cheap, drive synergies, pay off debt and repeat. They also know how to adapt to changing consumer demands, which keeps long-term same-store sales growth (SSSG) numbers on the uptrend.

If you're looking for a high-growth stock at a value multiple, look no further than Couche-Tard. I suspect the stock could easily double over the next three years as U.S. consumer spending continues to pick up steam.

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