

## Alimentation Couche-Tard Inc. (TSX:ATD.B) Shows Strong Growth in Q4: Is the Stock a Buy?

### Description

**Alimentation Couche-Tard Inc.** (TSX:ATD.B) released its fourth-quarter results on Monday, which showed significant earnings growth for the convenience store operator. Earnings of \$393 million were up over 41% from the \$278 million that the company posted a year ago. Revenue of \$13 billion was also up more than 40% from last year.

Overall, it was a very strong quarter for the company, [not unlike what we saw in Q3](#). Let's have a closer look at how it did and assess whether Couche-Tard's stock is a buy today.

### Acquisitions behind much of the growth

The company has been in [acquisition mode](#) for some time and investors are starting to see the result of that in Couche-Tard's financials. While the revenue growth is impressive, the company admits much of the growth is due to its acquisitions, which include CST Brands Inc. and Holiday Stationstores, LLC acquired late last year.

The company added nearly 2,000 locations in the past year, with acquisitions making up the vast majority of that growth, as Couche-Tard actually saw a net decrease of 63 stores during that period. A good way to cut out some of the noise due to acquisitions is to look at same-store growth, which weeds out increases in revenue from new locations.

### Strong same-store sales for the quarter, but weak for the year

For the quarter, Couche-Tard saw same-store merchandise sales rise by just 1.8% in the U.S., while for the full year, the growth rate was only 0.8%, down from a 2% increase last year. Canada had a strong quarter as well with growth of 3.6%, but it too was underwhelming for the year as merchandise sales were up just 0.4% in the past 52 weeks.

Europe continues to offer the most growth for Couche-Tard as same-store merchandise sales increased 4.3% this past quarter and rose 2.7% for the year.

### Profits boosted by tax benefits

The company's earnings were inflated by nearly \$70 million as Couche-Tard remeasured its tax liabilities due to U.S. tax reforms that were passed last year.

### Dividend increase

In its earnings release, Couche-Tard announced that it would be increasing its dividend by \$0.01 for an increase of 11% from its current quarterly payment of \$0.09. However, with a dividend yield of just 0.70%, it isn't going to attract many dividend investors, even if the company continues to increase its

payouts.

### Is the stock a buy?

Couche-Tard's stock has struggled this year, as its share price has declined more than 14% in 2018. Even during the past three years, the stock has only produced returns of 5% for investors and has been very volatile during that time.

The company is struggling to find ways to improve its financials, and growing via acquisition is certainly one way to do so. The challenge, however, is being able to integrate new operations in a cost-efficient manner that doesn't saddle the company with too many inefficiencies and extra costs.

Overall, I wouldn't be rushing to buy the stock today. I'm not a fan of companies that need acquisitions in order to grow, as that means that a company's organic business is not strong enough on its own. And with so many moving parts to account for, it also makes it harder to assess overall performance.

### CATEGORY

1. Investing

### PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

### Category

1. Investing

### Date

2025/08/26

### Date Created

2018/07/11

### Author

djagielski

default watermark

default watermark