These 2 M&A Growth Kings Have Plenty of Gas Left in the Tank

Description

Warren Buffett loves companies with easy-to-understand business models with the means to grow their earnings by a significant amount over the long-term with minimal uncertainty. Unfortunately, many of today's higher growth tech stocks don't fit the bill as an easy-to-understand business, nor do they possess predictable earnings streams.

Unless you're an expert in a particular niche industry, it's almost impossible to gauge when a company under question can move into the green sustainably. Thus, many of the highest growth stocks like **Shopify Inc.** or **Tesla Inc.** are usually operating in the red and have a lot more then meets the eye when you have a look underneath the hood.

Nobody knows when these businesses will start moving into the green, and should unforeseen contingent expenses arise, investors could run into big trouble. As such, explosive growth names like Shopify and Tesla are only suitable for investors who can stomach a rollercoaster ride on the road to profitability.

If disruptive tech is within your circle of competence, then more power to you, but if you're like Buffett and would rather place a bet on an old-fashioned business that you can make comfortably own over the extremely long-term, you may want to consider low-tech earnings growth stocks that are already in the green.

Think growth-by-acquisition growth stories within the gas station and convenience store industries. **Alimentation Couche-Tard Inc.** (TSX:ATD.B) and **Parkland Fuel Corp.** (TSX:PKI) are two low-tech M&A companies that are growing their earnings through accretive acquisitions that have consistently resulted in "1+1=3" scenarios through the creation of synergies.

Both companies have impeccable management teams that can juice ample synergies from accretive acquisitions.

Parkland Fuel recently popped 7.8% in a single day following the release of a blowout quarter with an EPS of $0.45, which shattered analyst expectations of $0.12. Recently closed acquisitions are expected to continue to add another $340 million in EBITDA annually together with $80 million worth on synergies by next year.

Similarly, Couche-Tard is expected to realize further synergies from its own Holiday and CST Brands acquisitions, which will likely result in double-digit EPS growth numbers over the foreseeable future.

Both companies are expected to continue to roll up and drive synergies consistently over the course of decades. Couche-Tard has a mere 14.8 forward P/E and Parkland Fuel has a fairly modest 26.0 forward P/E after its recent surge.

Although Parkland Fuel has an attractive 3.1% dividend yield that dwarfs Couche-Tard's 0.7% yield, I'd opt for Couche-Tard because it's severely undervalued relative to its reasonably predictable forward-looking growth prospects. Moreover, its meagre yield is likely keeping many investors on the sidelines, which has created one heck of an entry point into a stock that's very much still on the growth track.

Both Parkland Fuel and Couche-Tard are M&A earnings growth kings that are the perfect fit for any low-tech growth investor's portfolio. If I had to choose one, however, I'd go with Couche-Tard, as the valuation is indicative of a no-growth stalwart, not a growth stock. Thus, I believe that at today's levels, you'd be paying a dime to get a dollar. Once management puts its foot back on the M&A pedal, Couche-Tard stock will begin to make up for lost time.

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