



An Opportunity Still Exists to Invest in This Growth Play

Description

Earlier this year, shares of **Couche-Tard** (TSX:ATD.B) took a nose-dive, as the company released weaker-than-expected results for the third fiscal quarter of 2017. Those results sparked fear that the incredible growth that Couche-Tard witnessed in recent years was waning and a more conservative set of results would follow.

Fortunately, Couche-Tard's follow-up in the fourth fiscal announced last month showed significant improvement and pushed the stock back up to the \$60 range, where it has remained for the past month.

Just how good was the fourth quarter?

Revenue for the quarter came in at \$13.61 billion, reflecting a massive \$3.99 billion improvement over the same quarter last year. Net income for the quarter realized an impressive bump \$277.6 million, or \$0.49 per share, reported in the same period last year to from \$392.7 million, or \$0.70 per share.

Overall, profits saw a 41.5% increase in the quarter, which Couche-Tard largely attributed to savings synergies realized from the CST Brands acquisition. While the company had previously stated that it expected to realize synergies from the CST deal, the level of those savings as well as the relatively quick turnaround time to realize surpassed all expectations.

What's next for Couche-Tard?

The company hasn't been coy about what it plans to do next. Further expansion through acquisition is part of the DNA of Couche-Tard, and the convenience store market as a whole is a unique mix of many small players and relatively few larger ones.

While the CST acquisition's synergies have realized sooner than expected, the company still has a considerable debt that should be paid down somewhat before taking on more through any new deals.

Last year, the company announced that it was turning its attention to Asia for expansion. This holds incredible growth potential for two reasons.

First, the market in Asia is massive, and there are relatively few players on the scene to match the financial muscle and dominant branding that Couche-Tard could muster. Keep in mind that Couche-Tard already has a presence in some Asian countries.

Additionally, we have to look at the dynamic of the convenience store itself. In North America, the convenience store is somewhere to stop and get something quickly before going somewhere else. In some parts of Asia, that dynamic is evolving so that convenience stores can become a destination for people to go to purchase food and consume it onsite, not unlike your typical coffee shop.

That means adding a complement of premium features not typically found in gas stations in North America — seating, WiFi, and an expanded menu of hot food.

Is Couche-Tard a good investment?

With the period following the better-than-expected results, Couche-Tard's growth over the past year has been relatively anemic, and this has sparked investors to question the stock as the long-term growth play it has been touted as.

To put it another way, investors were spoiled by a number of large deals undertaken by Couche-Tard in recent years that drove the company up, and they are expecting that ride to continue with additional acquisitions.

The long-term potential that Couche-Tard holds is massive, and there's no argument over whether the company will resume its run of acquisitions. The only questions are when the company will identify its next acquisition target, and what it will be.

When it does, expect some [serious growth](#). Until then, investors should [seize the opportunity](#) to buy into Couche-Tard at a discounted price.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

PARTNER-FEEDS

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

Category

1. Investing

Tags

1. Editor's Choice

Date

2025/08/24

Date Created

2018/08/14

Author

dafxentiou

default watermark

default watermark