



Should You Buy This Value/Growth Stock Now or Later?

Description

A value/growth stock may sound like an oxymoron, but it certainly isn't for **Alimentation Couche-Tard** (TSX:ATD.B). The company has experienced extraordinary growth for a number of years with its earnings per share nearly seven times what they were in fiscal 2009.

An investment in Couche-Tard bought at the end of 2007 before the last recession hit would have delivered an annualized return of almost 25%! And get this — the stock's price-to-earnings ratio (P/E) actually *contracted* from about 18.7 to about 17.3. What's to like is that the growth story is far from over.

Couche-Tard stock has been consolidating since 2015, and finally, its earnings have caught up to its valuation and then some, such that the stock is now a value/growth stock.



Why is Couche-Tard a value stock?

At about \$62.60 per share, Couche-Tard trades at a forward P/E of about 15.6, while it's estimated to grow its earnings per share by about 15% per year on average for the next three to five years. With a PEG ratio of about 1.15, Couche-Tard is a value/growth stock.

For example, the **Bank of Nova Scotia** analyst has a 12-month target of \$80 per share on Couche-Tard, which represents nearly 28% upside in the near term. That would be some fabulous gains if materialized.

Where does Couche-Tard get its growth?

Couche-Tard has been expanding for a few decades. It has become a convenience store leader in North America and parts of Europe (namely the Scandinavian and Baltic countries and Ireland). It also has some international presence via licensed "Circle K" stores in Asia, Mexico, etc. Most of its locations offer road transportation fuel.

Couche-Tard has a proven track record of integrating its acquisitions successfully. In so doing it has generated strong returns for its shareholders as well as ample free cash flow to pay down debt and grow its dividend.

Couche-Tard's five-year return on equity is about 23.6%, and its five-year free-cash-flow growth rate is about 14% on average. Its five-year dividend growth is about 29%.

Couche-Tard is converting most of its stores to the international "Circle K" brand, which will allow it to focus its advertising efforts and enjoy some cost savings. As it pays down its debt, it will be in the position to perform further consolidation in the fragmented industry.

Investor takeaway

Now is a good time to buy some Couche-Tard stock as a [value and growth investment](#). If the stock dips below \$55 per share, it would be [a more awesome buy](#).

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

PARTNER-FEEDS

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

Category

1. Dividend Stocks
2. Investing

Tags

1. Editor's Choice

Date

2025/08/05

Date Created

2018/08/28

Author

kayng

default watermark

default watermark