



How Alimentation Couche-Tard Inc. (TSX:ATD.B) Can Provide Growth for the Next Decade

Description

Most retail stocks have developed a reputation over the past few years as being risky investments that are best to be avoided. Some of that reasoning stems from the emerging threat of online retailers, which have used their lack of a physical store as a means to undercut the competition on price and provide shipping to customers for a direct-to-door experience.

Fortunately, some segments of the retail sector have remained somewhat immune to that growing online threat. Grocery stores and convenience stores in particular are two [diversified](#) examples of where investors can still see incredible growth over the long term.

One stock that poses an incredible opportunity for growth-minded investors is **Alimentation Couche-Tard** (TSX:ATD.B), and here are some reasons you may want to consider including the company in your portfolio.

Here's why Couche-Tard is a great investment right now

Few people realize that Couche-Tard's first store opened in 1980. Contrast that to today's network of nearly 10,000 stores operating in over a dozen countries, employing 25,000 people, and you begin to realize the serious approach the company has taken to growth. That nearly insatiable approach towards growth is one of the main reasons investors should take a closer look at the company.

More importantly, Couche-Tard's approach to expansion has seen the company not only grow its network but expand into additional markets, such as the Holiday StationStores Inc. network of over 500 locations in 10 U.S. states, which was completed in 2017.

Part of the appeal of being acquisition-focused is that the gas station and convenience store market is, for the most part, dominated by smaller, more regional players, which provides two unique advantages to Couche-Tard. First, Couche-Tard can leverage its financial muscle to quickly expand into new markets through those acquisitions. An example of this is the 2017 acquisition of CST Brands, which added 1,300 locations, nearly half of which were in Texas, where Couche-Tard had a minimal

presence.

In addition to acquiring those smaller locations, Couche-Tard also benefits from cost synergies as new locations are rolled into the company's ever-growing network. In the case of the CST Brands acquisition, the initial synergies realized across the first 36-month period following the acquisition were forecasted to be in the range of \$150-200 million.

That number could further grow as Couche-Tard completes a re-branding effort to consolidate its portfolio of brands to just a few well-known labels, such as Circle K throughout the U.S., and in Quebec, the company's namesake, Couche-Tard.

In terms of results, in the most recent quarter, Couche-Tard reported net earnings of \$455.6 million, which surpassed the \$364.7 million reported in the same quarter last year. On a per-share basis, diluted net earnings for the quarter came in at \$0.81 per diluted share, a strong gain over the \$0.64 reported in the prior period.

Here's why Couche-Tard is a great investment for the next decade

The market is constantly evolving, and opportunities can be identified at a moment's notice. In the case of Couche-Tard, the company's future growth could come from the markets in Asia. Couche-Tard already maintains a small footprint in Asia, but those stores are through licensing agreements and not actually owned by Couche-Tard. A more concentrated effort to expand into the region has been hinted at on more than one occasion, with the Thai, Indian, and Chinese markets mentioned.

Another key point of that expansion is the store itself. Convenience stores in North America are perceived as more of an interim stop on the way to somewhere else — such as grabbing a quick snack and filling up the car while on the way out to meet friends, or stopping to get some milk and bread on the way home from work.

In Asia, that model has turned around, and a growing number of convenience stores are being perceived as destinations, more akin to the coffee-shop model we see in North America, which would require of those stores to add seating, a wider selection of food items, and a more pleasant environment for patrons to want to stay.

In my opinion, Couche-Tard is an excellent [long-term growth](#) option for any portfolio.

CATEGORY

1. Investing

PARTNER-FEEDS

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

Category

1. Investing

Date

2025/08/25

Date Created

2018/10/03

Author

dafxentiou

default watermark

default watermark