1 Misunderstood Growth Stock That Could Skyrocket Like a Bat Outta Hell

Description

Alimentation Couche-Tard (TSX:ATD.B) is probably one of the most misunderstood (and mispronounced) stocks on the TSX. The global convenience store consolidator continues to exhibit double-digit growth numbers, but to no avail; Couche-Tard stock itself continues to consolidate the channel it's been stuck in for nearly three years.

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With an apparent dry-up in long-term momentum and less frequent M&A deals being announced, Couche-Tard definitely seems like a once-promising growth stock that has already transformed into a low-growth stalwart. This just isn't the case, however, as Couche-Tard's industry is still extremely fragmented, leaving room for what I believe is decades worth of sustained double-digit percentage growth via M&A activities conducted at the international level.

Why has Couche-Tard been lagging lately?

Back when Couche-Tard stock was flying high, an accretive acquisition was announced on a regular basis. Each acquisition resulted in the creation of tremendous long-term value for shareholders as management made deals at modest (or depressed) multiples relative to the potential synergies (or benefits) that could be realized.

Today, Couche-Tard isn't in the headlines nearly as much as it was five years ago thanks in part to the massive CST Brands and Holiday acquisitions, which have taken much longer to digest than prior small-scale scoop-ups. Couche-Tard's formula is simple: acquire, integrate, extract synergies, pay off debt, and repeat. The CST Brands and Holiday deals have indeed prolonged the integrate and synergy extraction steps, but it won't be long until Couche-Tard returns to acquisition mode again as its balance sheet is strengthened.

Moreover, Couche-Tard has spent more effort beefing up all of its locations across the globe, which could be seen as a reintegration step in its own right. It's an expensive endeavour that clearly hasn't paid off in the short term, but in the grander scheme of things, I think such responsible efforts will pay massive dividends for shareholders with a long-term mindset.

Something's going down at the Circle K!

Canadian Mac's and CST stores are slowly, but steadily turning into Circle K locations with new products offerings and an enhanced in-store experience that aims to to better cater to millennial consumers who value comfort and convenience above all else.

The company has also introduced its Tobacco Club to draw in larger crowds of smokers, and has introduced intriguing new offerings, including fresh produce, improved coffee and baked goods in hopes of boosting same-store sales growth (SSSG) numbers by significant amounts over the next few years.

Thus far, Circle K rebranded CST locations have shown much more promise, with larger crowds flocking into the revamped stores as if strange things were afoot within them!

Foolish takeaway

Management's SSSG efforts have just begun to yield fruit, with the company experiencing the highest network-wide SSSG numbers in seven years as of its last quarter. SSSG numbers are trending higher, and once management inevitably gets back into M&A mode again, we could see Couche-Tard shares finally rocket past its $68 resistance levels.

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