



## Why Alimentation Couche-Tard Inc (TSX:ATD.B) Is a Good Buy Ahead of Earnings

### Description

**Alimentation Couche-Tard Inc** (TSX:ATD.B) is set to release its earnings tomorrow, and it could be a good time to buy the stock before that happens. The company has proven to be a solid growth stock over the years and has accumulated strong market share around the world as a result of key acquisitions and organic growth.

In its [most recent quarter](#), Couche-Tard achieved growth of more than 50% in its top line, thanks in large part to the aforementioned acquisitions. The company has done a great job of integrating other businesses into its already successful brand, and doing so profitably.

Over the past five quarters, Couche-Tard has averaged a small but consistent profit margin of over 3%. This is no small feat, as many companies often look to expand without much regard for their bottom lines. Unfortunately, investors haven't shown much enthusiasm for the stock this year despite its achievements.

Year to date, the stock's returns have been flat and it is back to trading near its 52-week high. Over five years, however, the stock has produced significant returns for investors, rising nearly 170% during that time.

### Why it's still a good buy today

Couche-Tard has produced good results over the years, but it's still a [modestly-priced growth stock](#), trading a price-to-earnings multiple of just 16. While a price-to-book ratio of over three might be a tad high for some investors, with the growth the company has achieved, it's easy to justify a higher price for Couche-Tard.

The company has a presence in many parts of the world, which gives it many different ways to grow, ensuring that it doesn't have to be reliant on a particular geographical market. This gives Couche-Tard a lot of stability and is likely a key reason why it's been able to produce such strong results over the years.

A big reason that I expect the stock to have a good quarter in Q2 is that the U.S. and Canadian economies are continuing to perform very well, as indicated by rising interest rates. Strong economic times usually result in more leisure travel and expenditure, which creates demand for convenience stores and gas stations, particularly during the warmer months of the year.

Over the long term, I see it as a win-win for investors to buy today. Either the company loads up on more acquisitions and continues to grow market share, or it starts pruning costs and taking advantage of efficiencies that it might not have had time for during such rapid growth, which in turn will produce an even stronger bottom line and make the stock more appealing to investors.

### **Bottom line**

Couche-Tard is a solid buy regardless of whether you buy before or after earnings. However, given the stock's lackluster performance this year, a good quarter could help make up for that and give the stock a big boost.

With reasonable multiples, strong growth, and even a very modest dividend, Couche-Tard offers something for all types of investors and that makes it a great stock to own in any portfolio.

### **CATEGORY**

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