Are Alimentation Couche-Tard Inc.'s (TSX:ATD.B) 4 Pillars of Value Enough?

Description

Has it been a tough three years for **Alimentation Couche-Tard** (TSX:ATD.B) stock, or what?

A $10,000 investment three years ago is worth approximately $11,471 today. Once known for delivering double-digit annual returns, it hasn't done so since 2015.

A lot of Fool contributors, including yours truly, have continued to flog the company's many positive attributes, only to be left looking silly time and again. Here's what I said about Couche-Tard in December 2017: "I wouldn't call Couche-Tard's stock cheap at 14 times cash flow, but in recent years, that's the multiple investors are willing to pay to own what I consider one of the five best stocks on the TSX," I wrote. "I see Couche-Tard stock coming out of its hibernation just in time for the holidays. Expect good things from it in 2018."

On the surface, my expectation for good things to happen didn't turn out too well. However, when you consider the **S&P/TSX Composite Index** had a negative total return of 8.9% in 2018, I'd say things didn't work out too bad, all things considered.

Now into 2019, I'm wondering when CEO Brian Hannasch and his M&A team are going to deliver another big acquisition — a vital part of the company's value-creation strategy.

Right there in the company's latest corporate presentation are Couche-Tard's four pillars of value creation: organic growth, acquisitions, cost discipline, and financial discipline. Together, they're supposed to add value for shareholders.

The key is "supposed to."

Unfortunately, when investors stop buying what a company's selling, the stock suffers, as has been the case with Couche-Tard in recent years.

All Hannasch and company can do are continue to be the best convenience store operator in the world. Eventually, its discipline will pay off.

Organic growth also important

Warren Buffett had a specific multiple to book value (1.2 times) he would pay to repurchase **Berkshire Hathaway** stock. Eventually, the company eliminated that arbitrary ceiling, because it was making it nearly impossible to buy back its stock at a time when asset prices were getting too expensive to make sensible acquisitions.

As Couche-Tard bides its time until the right opportunities come along at the right price to justify pulling the trigger on a significant acquisition, Hannasch himself has admitted that it's got to put more of a focus on organic growth, because it might be a while until something comes along.

“As we become bigger, we think it is about acting more local, using our data and segmentation to understand and tailor our assortment, tailor pricing, tailor promotions on a much more local basis than we do today…” Hannasch said during the company's November 28th conference call. “We have a variety of projects underway that we think can significantly change how we interface with customers in the coming years.”

Couche-Tard is an excellent acquisition integrator, but it can also be a great operator and merchandiser. It's just got to focus more intently on this area of its value-creation strategy.

I think it can and will.

Too much to like about Couche-Tard

Foolish contributor Nelson Smith recently discussed **Amazon** getting into the gas station business, providing several reasons D.A. Davidson analyst Tim Forte thinks it's a good idea.

One of them is that it would provide Amazon with predictable revenues while also giving Prime members another benefit (discounted gas) for keeping their annual membership.

Like Whole Foods, Amazon would likely want to acquire something national in scope, such as Circle K, making Couche-Tard the hunted rather than the hunter.

When you consider Jeff Bezos wants 3,000 Amazon Go cashier-less convenience stores by 2021, the argument makes a lot of sense. If it doesn't happen, it doesn't happen. Couche-Tard will continue to do what's necessary to deliver on its four pillars of value.

Is it enough to keep moving Couche-Tard stock higher?

I believe it is.

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