This Unstoppable Earnings-Growth Stock Is Picking Up Massive Momentum

Description

Alimentation Couche-Tard (TSX:ATD.B) may be a business that's tough to pronounce, but it's an incredible earnings-growth story that's worthy of your attention today, as the momentum experienced over the last few months has many value and growth investors licking their chops at what could be on the horizon.

Couche-Tard stock has been consolidating in a channel for many years now, but it's only recently that the stock broken through the $69 level of long-term resistance. That's an extremely bullish sign, and although the technicals may be more than enough reason to buy the stock, I'd encourage Foolish investors to look under the hood to see the pristine fundamentals and growth story that could enrich your portfolio with massive capital gains over the next year or so.

Since the May depths, Couche-Tard stock has soared over 37%, remaining strong in spite of the October-December sell-off that affected all but the most top-notch of stocks. Given Couche-Tard stock's low beta and its severely low valuation, it shouldn't be a surprise that Couche-Tard flew higher as everything fell from the canopy.

The stock had a huge margin of safety, and the stock was already priced as if the company were to suffer from a potential economic slowdown. Couche-Tard's intelligent management team was finally starting to see its past "spring cleaning" initiatives pay dividends. In a prior piece, I outlined Couche-Tard's "spring cleaning" strategy and why optimizing operations at the individual store level would allow the company to unlock additional value and synergies through prior acquisitions that were thought of as "fully juiced" of potential synergies.

Now, had Couche-Tard cared about the trajectory of its stock over the short-term, management would have continued acquiring at a fast-and-furious rate. The managers were all about the long-term, however, and investors were quick to ditch the stock as the company endured a bout of temporary issues, most notably hurricanes and diminished fuel margins.

Sure, management took a breather to clean things up, but it was all worth it, as debt repayment was accelerated, allowing Couche-Tard to lower its debt-to-equity by enough such that it'd be in good enough financial health to pursue further M&A opportunities, potentially in higher-growth foreign markets (like the Philippines or Vietnam, where the ROE is incredibly high for convenience stores).

The Foolish takeaway of Couche-Tard

While there's still plenty of "spring cleaning" to do, investors should expect a potential deal being made at some point in 2019. I suspect Couche-Tard will dip its toe into high-ROE foreign markets, and as it pursues such expansion initiatives, investors can expect double-digit EPS growth numbers going forward.

Trading at just 15.6 times next year's expected earnings and 0.5 times sales, Couche-Tard stock still has plenty of room to run. So, both value and growth investors may find it worthwhile to back up the truck on shares today.

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