



How You Can Diversify Today and See Growth for Decades

Description

Is your portfolio [adequately diversified](#) to include a broad cross-section of the market? The importance of maintaining a well-diversified portfolio is something that can't be understated.

The retail sector is one area of the economy that investors have shied away from in recent years, particularly as the disruptive force of e-commerce vendors and evolving consumer preferences continue to eat away at both the foot traffic and sales numbers of traditional retailers. But what if there was an area of retail that has not only withstood that mobile-based shopping revolution, but also established a sizeable moat around its operations?

Let's take a look at one such investment, **Alimentation Couche-Tard** (TSX:ATD.B) and why this could be one of the most important additions to your portfolio this year.

Convenience stores and gas stations as an investment?

For those who are unaware, Couche-Tard has a network of convenience stores and gas stations stretching across North America and into Europe, and minimally into Asia.

That network of locations currently stands at a little over 13,000, making Couche-Tard one of the largest players on the market. It's worth noting that the company has used its weight and financial muscle in the past to acquire smaller regional players to add to its massive network.

That aggressive stance toward expansion has been the hallmark of the company's growth over the past few years.

Once acquired and rolled out under one of Couche-Tard's growing number of brands, the new acquisitions are fully integrated into Couche-Tard's network, where the company can realize any cost saving synergies as well as introduce successful products from one location to any number of others. Couche-Tard's CST and Holiday Stores acquisitions are perfect examples of this.

Both deals added 2,000 locations to Couche-Tard's network. Synergies from the CST deal hit US\$200

million in the last quarter and are likely to increase further in the next quarterly announcement. In a similar vein, highly successful private label menu items from the Holiday Stores network are set to be rolled out to a wider audience.

Why you should consider buying Couche-Tard

First, Couche-Tard's dominance in the market coupled with the fact that the landscape is still littered with smaller regional players puts Couche-Tard in a favourable place where it can continue to absorb smaller players and grow its base. This is a point that has been discounted by some critics, as Couche-Tard's last major acquisition came well over a year ago. To put it another way, just because Couche-Tard hasn't completed a major acquisition in the past year is no reason to discount the prospect that another could be coming soon, thereby introducing a host of new synergies and revenue-producing opportunities.

Second, let's take a moment to talk about future market opportunities. Most of us see gas stations and convenience stores not as destinations, but rather as interim stops we make to grab something while moving to our ultimate destination. We wouldn't think of sitting down, grabbing a meal and conversing with friends outside a convenience store or gas station currently, but that's a growing trend in some markets in Asia at the moment, and Couche-Tard has expressed an interest in tinkering with that model with stores in that region in the past. Furthermore, it's not hard to see that model adopted in North America either, particularly as electric vehicles with longer charging times continue to penetrate the market, thereby providing a player such as Couche-Tard with an ideal entry point.

Finally, there's the company's performance. We're still a few weeks out from the latest quarterly announcement, but in the most recently available quarter, the company reported net earnings of US\$473.1 million, or US\$0.84 per share, representing an increase over the US\$432.5 million, or US\$0.76 per share reported in the same quarter last year. Handsome gains, continued growth, and an emphasis on trimming costs- what more could investors ask for? An appetizing dividend perhaps, but there are other market [options for dividend-seeking investors](#).

It's also worth noting that Couche-Tard is one of a handful of companies that survived the dismal end to 2018 in the black and is thus far up nearly 8% in 2019.

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