



## This Defensive Company Offers Growth in a Volatile Market

### Description

The sheer number of businesses that we interact with on a daily basis that we seemingly ignore as investment options continue to amaze me. One such option is **Alimentation Couche-Tard** (TSX:ATD.B), which should be a core holding of nearly every portfolio.

### Grab some gas, milk, eggs, and long-term growth

Couche-Tard owns a network of over 12,000 gas stations and convenience stores that are scattered across Canada, the U.S., and Europe. Couche-Tard also has over 2,000 additional stores operated through licensing agreements across other regions such as Asia and the Middle East.

Apart from the obvious global appeal of Couche-Tard's diversified network, there's another less obvious reason to consider, which is stability. With a beta of just 0.29, Couche-Tard is an incredibly stable investment option, which may come as a relief to investors reeling from recent market volatility.

Part of the reason for that stability stems from Couche-Tard's business model. In short, the company serves as an interim stop for people needing fuel or goods. This could be a tank of gas and some refreshments before starting on a long road trip or some bread and milk on the way home from work.

Either way, the company provide a necessary service to customers across a growing network.

### Where's the growth?

Year to date, Couche-Tard is trading up over 16%. As impressive as that sounds, the one- and two-year returns on the stock are currently providing gains of over 26% and 32%, respectively. Over a longer five-year period, the stock is up by over 115%.

An insatiable appetite for expansion is one of the primary drivers behind that impressive growth. Over the past few years, Couche-Tard has completed a series of larger acquisitions that have provided the company with access to new or underserved markets.

Once acquired, the locations are re-branded and integrated into Couche-Tard's sprawling network, where cost synergies can be realized to drive profits even higher. Popular menu items and products are also part of that integration and then rolled out to Couche-Tard's larger network.

## Here's an emerging opportunity

We're still a few weeks out from Couche-Tard's latest quarterly update, but in the most recent quarter available, the company reported results that paled in comparison to the same period in the prior year.

Specifically, earnings came in at US\$293.1 million, or US\$0.52 per share, coming in short of the US\$391 million, or US\$0.69 per share, reported in the same period last year. In the fourth quarter of last year, Couche-Tard received a net tax benefit of US\$69.7 million, which was a major factor, but not the only factor, in the recent decline.

So, where exactly is that opportunity for additional growth?

Couche-Tard is to be viewed primarily as a long-term investment. Synergies in the region of \$200 million from the massive CST Brands acquisition have yet to be reflected in the company's financials but will be integrated in the coming quarters.

Additionally, there's Couche-Tard's recent \$25.9 million investment into Edmonton-based **Fire & Flower**, providing Couche-Tard with a 9.9% equity in the company, with an available option to increase that interest to 50.1%.

Fire & Flower is a cannabis retailer, with a network of 23 stores across Alberta, Ontario, and Saskatchewan. Funds from the investment will be used to further expand that network and develop a digital retail platform.

This isn't the first time Couche-Tard has shown interest in the emerging cannabis sector. Prior to legalization, the company contemplated selling cannabis in its convenience stores, noting the similarities with selling tobacco products. Additionally, earlier this year Couche-Tard forged a multi-year agreement in support of an Ontario-based cannabis store with a [leading cannabis company](#).

## Final thoughts

Couche-Tard is a great investment for investors that are looking for a growth-first investment with a longer investment time. That appeal only grows when contemplating current market volatility and future growth potential.

From an income-producing standpoint, while Couche-Tard provides a dividend, the paltry 0.62% yield is more of a rounding error than a payout you can count on as part of an [income stream](#).

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