Investors: This Canadian Company Is Beating 7-Eleven at Its Own Game!

Description

7-Eleven is a giant in the global convenience store industry. With more than 66,000 locations worldwide, it has a ubiquitous presence. And with a 28% market share, it's by far the biggest player in the United States.

7-Eleven's market dominance has historically been so strong that most couldn't even name a major competitor. While most markets have had their own *local* competitors, there hasn't been a national player with a similar reach.

Now, however, there's a Canadian convenience store company that's giving 7-Eleven a run for its money. This is a company with 7,800 stores in the U.S. already, and is adding more at a rapid pace — a company that's currently second place in the U.S. after 7-Eleven itself (according to Convenience Store News), and is rapidly catching up.

If it adds 2000 more stores, this company will eclipse 7-Eleven in the States. And since 2016, it has added approximately that many stores–particularly in Texas and California.

Alimentation Couche-Tard

Alimentation Couche-Tard Inc (TSX:ATD.B) is a convenience store company best known for its Circle K brand. Circle K has about 15,000 locations worldwide and 7,800 in the States.

With 7-Eleven having a little over 9,000 U.S. locations, that puts Circle K within striking distance of the world's biggest convenience store chain.

It's to be expected that Circle K would eclipse 7-Eleven in Canada. After all, the company has significant local expertise and has been buying out its competitors at a rapid pace.

But for a Canadian retail store to beat a U.S. market leader on its home turf is something you don't see often. And with Circle K's recent growth, that may just happen.

Why it’s taking over

The main cause of Circle K’s aggressive expansion is simple:

Acquisitions.

Alimentation Couche-Tard is well known for buying out competitors and replacing their branding with Circle K’s logo and colours. In Canada, the company rapidly swept through the market by buying out **Irving** convenience store locations.

In the U.S., too, the company has been buying out its competitors. In 2016, the company entered into a deal to purchase Texas-based CST Brands. That one deal quickly added 2000 stores to Alimentation’s U.S. presence.

How it could rise even further

Owing to the strength of its aggressive acquisition strategy, Circle K’s stock has been doing quite well. Over the past five years, it’s up 127%, handily beating the TSX in the same period.

Although Alimentation’s many deals have given it quite a bit of debt ($13 billion worth in its most recent quarter), the company has used these acquisitions to drive real growth.

In its most recent quarter, for example, it grew its earnings by 17% year-over-year, while increasing its same-store sales by 2.5% in the U.S.

If Alimentation Couche-Tard can keep up these results, then it may have a ways yet to go. At present, its stock has a P/E ratio of just 17, which is fairly cheap for a company growing at 17% year-over-year.

With solid growth and a moderate valuation, the stock may have upside–especially if that U.S. acquisition strategy pays off.

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