



ALERT: This Stock Could Break Out in January

Description

Alimentation Couche-Tard (TSX:ATD.B), the earnings-growth king with the urge to merge, has quietly [fallen under the radar](#) over the last few months, as its stock cooled down after rallying 63% from its April 2018 trough to its \$44 peak in June 2019.

Same-store sales growth (SSSG) initiatives paid off for Couche-Tard, as it drove further efficiencies across its existing stores through compelling new food offerings and digital promotions, among other efforts. But the “main attraction” to Couche-Tard over the past decade hasn’t been its ability to drive growth organically; it’s all about the massive synergies to be had via M&A activities.

After pulling the trigger on CST Brands, the largest acquisition in the company’s history, Couche-Tard has been rather quiet on the M&A front. And the stock has pretty much gone to sleep, despite being on the cusp of what could be another big acquisition that could reek of massive synergies.

Couche-Tard is a “very serious” bidder when it comes to the potential acquisition of Caltex Australia, an Australia-based convenience and fuel retailer that’s been facing margin pressures of late. Should a deal go through, Couche-Tard stock could get the extra fuel it needs to break past its ceiling of resistance and surge to new heights.

Of course, the amount of value (and synergies) to be created is indirectly proportional to the price that Couche-Tard will pay. Couche-Tard isn’t a company that’ll overpay for an acquisition. Although Caltex Australia rejected the Canadian c-store kingpin’s AUD\$8.61 billion takeover offer, the door remains open for Couche-Tard to sweeten the pot further, as the troubled Caltex is open to exploring its options.

Couche-Tard reportedly owns approximately 2% of Caltex’s shares at the time of writing, so it’s clear to me that management sees something significant in Caltex.

Not only could owning Caltex provide [an opportunity](#) for Couche-Tard to create synergies and long-term shareholder value, but it also gives the company a strong foundation in a new region that can be used as a means for further expansion.

Couche-Tard may be a large company, but it’s got a highly replicable growth story, and with enough

cash to fuel another round of M&A, we could see the stock shoot higher over the next few months should a Caltex deal (or any alternative deal) be made.

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