# This Blue-Chip Stock Could Soon Soar Into the Stratosphere

## Description

**Alimentation Couche-Tard** (TSX:ATD.B) may be one of the TSX Index's larger companies with its $52 billion market cap. However, it's still capable of growing as if it were a quarter of its current size, thanks to its unique growth profile and exceptional management team.

You may know Couche-Tard as a company that has the urge to merge, and while growth-by-acquisition is indeed the primary source of forward-looking growth, one must not discount management's abilities in driving same-store sales growth (SSSG) and operational efficiencies, both of which have given a nice jolt to earnings as the company took the opportunity to "digest" its past acquisitions.

Indeed, it's quite remarkable that Couche-Tard has been able to remain nimble to keep up with changes in consumer trends and tastes in its numerous markets of operation. As management looks to hit its ambitious target of doubling its net income in five years, the company will have to fire on all cylinders, not just with M&A activities, but with SSSG and efficiency-driving initiatives.



## A sleepy past few years for the Night Owl

Couche-Tard used to be a company that made fast-and-furious acquisitions, with a new small-scale deal being announced every few weeks or so. Given management has a knack for underpaying for acquisitions and producing substantial shareholder value in the form of synergies, such deal announcements were seen as a significant driver of the stock back in its glory days prior to 2015.

Now that Couche-Tard has grown larger, so too have the magnitude of its acquisitions, with the $4.4 billion scoop-up of CST Brands and its nearly 2,000 outlets across the U.S. and Canada back in 2016. The deal gave Couche-Tard a rock-solid foundation in the central and southwestern U.S. region and has been producing synergies for a lot longer than most other acquisitions made by Couche-Tard.

Given how expensive the bill was for CST Brands, Couche-Tard has been relatively quiet on the acquisition front over the past three years, as management shifted gears from M&A to integration and driving SSSG. Now that debt levels have fallen significantly, Couche is long overdue for another massive deal or slate of mini-deals as the company seeks to double profitability by 2025.

It's definitely taken a bit longer for Couche-Tard to digest the massive acquisition of CST Brands, but given management now has proven that it can mitigate large-scale integration risks, I think a future acquisition on the scale of CST Brands could send Couche-Tard stock rocketing.

## The night owl is about to wake up

Couche-Tard has been in talks to scoop-up Caltex Australia to get a front-row seat to the high-ROE Australasian market. Caltex is facing a bit of pressure amidst its own set of headwinds, and while

Couche's management team is capable of rising to the challenge, they're not willing to risk overpaying for the c-store chain that's being pressured for a sale.

Talks have been going on for quite some time now, and while there's a chance that a potential Caltex deal could fall through, one has to be encouraged by Caltex's decision to ink a confidentiality agreement with Couche-Tard that is likely to give Couche's management team a better gauge of the synergies to be had.

At this juncture, Couche-Tard doesn't seem to be willing to increase its offer as CEO Brian Hannasch stated that the current standing offer "fully values Caltex and is compelling for Caltex shareholders."

Should challenges continue to mount with Caltex over time, I do think the odds of Couche-Tard getting its desired price will rise. If a deal happens and the price is right, I suspect Couche-Tard could skyrocket like a bat outta heck, as investors drool over the massive synergies to be had.

Even if Couche ends up walking away from Caltex, Couche still has a tonne of cash to fund inorganic growth initiatives. The global c-store market is hugely fragmented, and if a big deal doesn't happen, Couche can look to smaller-scale acquisitions on the road to doubling profits.

**CATEGORY**

1. Investing
2. Stocks for Beginners



**PARTNER-FEEDS**

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

**Category**

1. Investing
2. Stocks for Beginners

**Date**
2025/08/24
**Date Created**
2020/02/10
**Author**
joefrenette