



## Can This Growth Company Acquire Its Way to New Highs?

### Description

In recent years, I've become less skeptical of companies that choose to grow via acquisition. Perhaps this is because many of these companies have truly become better at strategizing how – and which — companies to acquire — or perhaps I'm looking at better quality companies in general.

Whatever the reason, in this article I'm going to discuss why I believe **Alimentation Couche-Tard** (TSX:ATD.B) has one of the better acquisition pathways out there for Canadian companies listed on the **TSX**.

Perhaps the most important aspect of acquiring companies is financing acquisitions, and on this metric, Couche-Tard receives gold stars. The company has used a number of financing avenues in the past, including paying cash, swapping stock, or incurring debt (or some combination thereof) to make deals happen.

As Couche-Tard's stock price continues in the right trajectory and its bond rating remains strong, the ability to take advantage of both debt and equity financing has increased the size of deals Couche-Tard's management team has been able to consider, thus fueling further growth.

Perhaps equally important to financing is finding the right opportunities in the marketplace at the right prices. On this front, Couche-Tard benefits from having an excellent management team with a fantastic track record of making the right acquisitions of the right companies at the right time in the right geographical markets at the right price.

A truly skilled management team like that of Couche-Tard is extremely valuable and hard to appraise. This intangible asset that Couche-Tard offers investors is one of the reasons why I like the long-term outlook of such companies — making acquisitions for the sake of doing deals is *not* what this company does.

Rather, the management team buys high-quality assets at reasonable prices and makes these operations more efficient/profitable over time.

Couche-Tard's management team has also focused on key geographical areas for growth over the

long term, such as the Asia-Pacific region — one of the key drivers that will render Couche-Tard a growth machine over time.

This strategy can be seen in a recent acquisition the company has been working on for Caltex Australia, a company in the same line of business as Couche-Tard, with a heavy focus on gas service stations (the company owns over 2,000 service stations and an oil refinery).

At writing, this acquisition is still being worked on along with news that a British company backed by a private equity firm was also interested in making a bid for Caltex Australia.

The offer of approximately \$7.5 billion CAD, which has been increased twice by Couche-Tard, is expected to be accepted/approved by Caltex's board, though these discussions remain ongoing at the time of writing.

## Bottom Line

Couche-Tard remains a compelling opportunity for long-term investors seeking growth at a reasonable price. This company indeed has the ability to acquire its way to a higher equity valuation over time, and I remain bullish on this name for many of the reasons in this article, primarily the company's acquisition strategy.

Stay Foolish, my friends.

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