



This TSX Stock Is a Must-Have in Your Portfolio

Description

There are some stocks that should be a part of every investors' portfolio. These stocks have the potential to create a significant amount of wealth in the long run and provide consistent income through higher dividends. Moreover, they also offer protection when the economy is in bad shape.

Alimentation Couche-Tard (TSX:ATD.B) is one such stock that every long-term investor must have.

What's makes Couche-Tard special?

My bullish outlook on Alimentation Couche-Tard stock is backed by the company's recession-resilient business and its strong footprint in the Canadian markets. Besides, its exceptional financial performance over the past several years and its ability to acquire fast-growing businesses further strengthen my bull case. Also, Couche-Tard has consistently increased its dividend, which has grown at a CAGR of about 28% since 2011.

Investors should note that Couche-Tard's top line and gross profit have grown at a CAGR of about 16% from 2011 to 2019. Meanwhile, the growth rate is even better on the profitability front with EBITDA and operating income growing at a CAGR of 22% during the same period.

The stellar growth in the company's revenues and profitability reflects continued strength in its underlying business. Moreover, strategic acquisitions further accelerated growth. In the past 16 years, Couche-Tard has completed 60 acquisitions, which is exceptional. These acquisitions have added about 10,200 stores to its network.

Despite challenging operating environment, Couche-Tard continues to generate strong cash flows, enabling it to invest in growth opportunities and boost shareholders' returns through higher dividends and share buybacks. In the most recent quarter, Couche-Tard [increased its quarterly dividends](#) by 12%. Moreover, it repurchased US\$236.9 million worth of shares at the end of the first three-quarters of the current fiscal year.

Couche-Tard's strong balance sheet and ample liquidity enable the company to continue to fund its

growth opportunities and weather the COVID-19 crisis. The company has US\$1.8 billion in cash and cash equivalents. Moreover, it has US\$2.5 billion in revolving credit facility.

Growth initiatives

As COVID-19 outbreak took a toll on store traffic, Couche-Tard has quickly adapted to the changing customer needs. The company has ramped up its home-delivery capabilities in North America to more than 620 stores. Moreover, Couche-Tard is also offering online pickup services in both North America and Europe with pre-ordering and accepting payments through Circle K app.

Couche-Tard's expansion of online services bodes well for future growth. The convenience of online shopping is likely to drive traffic in the long run.

Valuation within reach

Couche-Tard's valuation is still within reach. The Couche-Tard stock trades at next 12-month EV-to-EBITDA ratio of 10.6. Moreover, it trades at the next 12-month price-to-equity ratio of 18.5. Both seem [relatively inexpensive](#) considering the company's double-digit EPS growth rate and consistent increase in dividend payouts.

Bottom line

Alimentation Couche-Tard will continue to benefit from its expansion in the United States. Moreover, its foray into the new growth markets like the Asia Pacific should boost growth further. Further, Couche-Tard maintains a strong balance sheet and generates ample cash flows that enable it to grow through acquisitions as well as organically.

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Date

2025/08/24

Date Created

2020/05/19

Author

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