



What to Expect When Alimentation Couche-Tard (TSX:ATD.B) Reports Q4 Earnings

Description

Alimentation Couche-Tard (TSX:ATD.B) will announce its fourth-quarter [earnings](#) on Monday, June 29. Let's take a look at what's in store for Alimentation Couche-Tard.

The top line could disappoint

Alimentation Couche-Tard's fourth-quarter sales and earnings could continue to benefit from the sustained momentum in its base business. However, I expect the total revenues to decline on a year-over-year basis. The strong U.S. dollar and the divestiture of CAPL (CrossAmerica Partners) will continue to hurt its top line. Also, the lower average fuel selling price and lower volumes could remain a drag.

While the merchandise and service revenues could take a hit from adverse currency rates, the company's re-branding activities, e-commerce expansion, and improved offerings are likely to support its organic sales. Also, higher sales of tobacco products, water, and packaged beverages should support its top-line growth.

Despite lower sales, the retailer's earnings could continue to benefit from cost-savings initiatives. Meanwhile, lower outstanding share count should support Couche-Tard's earnings per share.

Recent past

In the three quarters of fiscal 2020, the retailer's revenues declined by 3.4%, reflecting lower fuel selling prices and the divestiture of CAPL. However, its organic sales remained strong. While its revenues have stayed low, its adjusted EBITDA increased by 4.8% during the same period, reflecting higher fuel margins and benefits from organic sales.

A higher adjusted EBITDA drove its bottom line. The company's adjusted net earnings improved by 9.2% for the first three quarters of fiscal 2020.

Now what?

Despite short-term challenges, Couche-Tard's fundamentals remain strong and bode well for future growth. The company's strong retail footprint should continue to drive traffic in the long run. Meanwhile, the expansion of its home-delivery capabilities in North America should further support its revenues. The retailer is also offering curbside pickup in North America and Europe, which is likely to be the key growth driver in the coming quarters.

Further, Couche-Tard's growth measures are gaining traction and should boost its growth in the future. The retailer expanded its LIFT, its digital upsell platform, to 7,700 stores in North America. LIFT is the company's basket-building platform that uses a customer's purchase list to give personalized reminders and promotions. Besides LIFT, its other growth initiatives, including Easy Pay and improved offerings, are also resonating well with the customers. Further, its Food at Scale initiative is likely to drive sales and traffic.

Bottom line

I maintain my positive outlook on Alimentation Couche-Tard stock. The company runs a recession-resilient business and has generated industry-leading growth over the past several years. Its revenues and EBITDA have grown at a CAGR (compound annual growth rate) of 16% and 22%, respectively from 2011 to 2019. Meanwhile, its dividends have grown at a CAGR of 28% during the same period. Strong underlying sales and benefits from acquisitions have driven its above-average growth and support its payouts.

While its growth rate slowed down in fiscal 2020, the company remains well positioned to double its business over the next five years, driven by balanced growth in its base business and acquisitions.

Alimentation Couche-Tard's strong store network, ability to accelerate growth through acquisitions and e-commerce expansion should help it in outperforming peers and [make it a top retail stock](#).

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