



Is Alimentation Couche-Tard (TSX:ATD.B) a Buy After a Strong Q4?

Description

Over the past decade, **Alimentation Couche-Tard** (TSX:ATD.B) has been one of the most reliable stocks on the index. Over this period, the stock has returned 1,290%, and shareholders have been [well rewarded](#).

Although it initially suffered a setback due to the pandemic, Alimentation is rebounding in a big way. After losing as much as 25% of its value at the peak, on Tuesday the stock closed at \$42.60, up by 3.37% year to date.

As with most companies, [expectations were low](#) heading into earnings. How did Alimentation Couche-Tard perform? Let's take a look.

The earnings report

After the bell on Tuesday, the company reported fourth-quarter and year-end results, which ended April 26, 2020:

Metric	Reported	Expected
Earnings per share	\$0.47	\$0.43
Revenue	\$9.69 billion	\$9.36 billion

All things considered, it was a decent quarter for Alimentation Couche-Tard. Earnings of \$0.47 per share beat by \$0.04, and revenue of \$9.69 billion beat by \$330 million.

Year over year, revenue dropped by 26.1% and full-year revenue of \$59.12 billion dropped by 8.4% over fiscal 2019. As a leading convenience store and fuel retail company, it is not surprising that the pandemic took a chunk out of sales.

The road transportation fuel segment saw the biggest impact, as fuel volumes decreased by 18.5% in the U.S., 13.4% in Europe, and 23.5% in Canada. On the bright side, lower volumes were partially offset by higher margins.

In the merchandise and services segment, lower volumes were offset by higher average purchases. This led to a respectable drop of 2.6% year over year (YOY).

Likewise, Alimentation Couche-Tard has plenty of cash to hold it over. The company exited the quarter in a strong financial position with more than \$4.7 billion in liquidity at its disposal. It also de-leveraged, with the company's debt ratio improving to 1.60:1 as of end of fiscal 2020, down from 2.18:1 in the previous year.

Despite the material impact of the pandemic, Alimentation Couche-Tard still grew adjusted EBITDA by 11.9% on the year — a big accomplishment considering the economy took a big downturn.

The year ahead

What will the next quarter look like? Unfortunately, the company's earnings release did little to provide clarity. On the bright side, the company did mention that volumes began stabilizing in April.

Have volumes since risen? How are they when one compares to this time last year? Unfortunately, these are answers investors do not yet have.

Likewise, Alimentation Couche-Tard is incurring additional expenses, as it looks to prioritize the safety of its employees and customers. Some of these are one-time expenses, while others are likely to continue in the near future. These include additional cleaning and sanitizing supplies, masks, and gloves for employees and an emergency pay premium of \$2.50 per hour.

Given this, and considering the economy is not yet fully re-opened, investors can expect the next quarter to also see considerable YOY weakness.

Is Alimentation Couche-Tard a buy today?

Alimentation Couche-Tard has made a name for itself by making transformative acquisitions. This led to outsized growth and market-beating returns. Although this is still a well-run company, investors should temper growth expectations.

It is likely the company will focus on reducing costs and conserving cash so long as economic uncertainty remains. In the meantime, this is a quality company that is worthy of investors' attention, and I maintain a positive outlook on the company.

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