



The Greatest Opportunity on the TSX May Be Hiding in Plain Sight

Description

Sometimes, the best [opportunities](#) are hiding in plain sight. While little-known [small-caps](#) tend to improve your odds of landing a long-term multi-bagger, one must not discount the growth potential behind some of the more compelling large-caps capable of transforming themselves to sustain high growth rates.

As you may know, the larger and more mature a firm becomes, the less growth it's capable of. The larger a company grows, the harder it gets to keep up high double-digit revenue growth without compromising on profitability.

Diseconomies of scale are all too familiar for many behemoth-sized stalwarts as they run into competition and ever-crowding markets — and with that comes flat or even negative growth.

There are, however, anomalies like **Apple**, which are capable of evolving over prolonged periods. Despite being a ridiculously old company, Apple remains a dominant force that's atop the **S&P 500 Composite Index**. Why has the firm been able to retain its strength through decades without falling into the stalwart rut that most other firms inevitably fall into with age?

A brilliant management team, innovation — and a moat

A **TSX** firm that's also maintaining its edge despite its age, I believe, is **Alimentation Couche-Tard** (TSX:ATD.B), a large-cap company that most Canadians have heard of (or even own through a mutual fund or ETF), but have discounted because of the fact it's a large-cap consumer staple within a "boring" low-tech industry that one wouldn't think of when they're on the hunt for the next big growth story.

Couche-Tard is a convenience store kingpin that boasts one of the smartest management teams out there, led by CEO Brian Hannasch. The company has grown by leaps and bound through M&A activities. But unlike most other firms, Couche-Tard is reluctant to pull the trigger on a deal unless there's a high chance it'll create value.

The act of acquiring does *not* create value

In fact, it stands to *destroy* value if the acquirer overpays and underdelivers when it comes to synergies. When conducting acquisitions, acquirers are expected to pay a premium for a takeover relative to a market price. And if the acquirer isn't the "best owner" of a firm or its assets, the synergies may not be enough to justify the premium price tag an acquirer will have to pay.

In the case of Couche-Tard, management does all the homework beforehand and isn't afraid to walk away if the price for acquiring doesn't come with a reasonable chance of unlocking substantial value for shareholders.

With managers that know the c-store business like few others, Couche-Tard can keep its growth and profitability high despite its growing size. The company has been looking at bigger fish (such as CST Brands) while improving upon same-store sales growth initiatives, and the results speak for themselves.

Couche-Tard launches lucrative pilot in Alberta with cannabis retailer Fire & Flower

Most recently, Couche-Tard launched a pilot project with cannabis retailer **Fire & Flower** to get a piece of the budding cannabis industry without having to wait for federal regulators to (slowly) give it the green light to sell weed at its locations.

Couche-Tard, which has the option of upping its stake in the cannabis retailer to 50.1%, recently had Fire & Flower open two retail locations next to its Couche-owned Circle K locations in Alberta. Fire & Flower will be separate from the Circle K convenience store, but will supposedly benefit from high traffic going into Couche-Tard convenience stores, as shoppers look to buy cannabis with their munchies.

If the Albertan pilot project sees success, I believe Couche-Tard will up its stake in Fire & Flower and potentially gobble it up entirely down the road. In due time, as regulators ease, we'll likely see the barriers be knocked down between Couche-Tard and its adjacent Fire & Flower cannabis stores.

Until then, however, Couche-Tard is willing to dip its toe (and eventually its foot) into the lucrative cannabis retail space, which could be a massive boon for growth over the long haul.

Couche-Tard is ambitious, but also prudent to test the waters with Fire & Flower and its latest pilot in Alberta. Should the pilot show success, Couche-Tard will have unlocked yet another growth runway.

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