



3 Reasons Alimentation Couche-Tard (TSX:ATD.B) Stock Is a Great Buy

Description

Alimentation Couche-Tard (TSX:ATD.B)(TSX:ATD.A) reported its first-quarter earnings yesterday. The company reported a 44% jump in net profits, as people shopped more groceries during the past three months. The report sparked a rally in Couche-Tard stock, which is now up roughly 7%.

Despite the surge in valuation, I believe Couche-Tard stock is still undervalued and deserves closer attention from long-term investors. Here are three reasons why the stock is still a great buy.

Dividend growth

Couche-Tard stock has already delivered immense dividends and growth over the past decade. The stock price is up 1,200% over the past 10 years, while the dividends per share are up 125% over the past five years.

The company still has plenty of room to grow. Acquiring more gas stations and convenience stores abroad will expand their footprint. Couche-Tard nearly acquired CalTex in Australia this year and could be looking at similar deals in the future.

Meanwhile, the company's dividend-payout ratio is just 9%, which means the company can afford to raise dividends substantially, even without income growth.

New ventures

Admittedly, gas stations and convenience stores are not sexy or innovative businesses. However, Couche-Tard has been quietly betting on futuristic technologies and new ventures to stave off obsolescence.

This month, the company teamed up with artificial intelligence startup Standard Cognition to make its stores cashierless. The technology will use machine learning and computer vision to facilitate autonomous checkouts. It could be rolled out across thousands of Couche-Tard stores next year.

Meanwhile, the company is testing super-charging for electric vehicles across its stores in Norway and the United States. As vehicles transition to electric over the next decade, Couche-Tard could be well positioned to benefit from the shift.

Finally, the company also owns a stake in legal cannabis producer **Fire & Flower**. This year, the company started opening cannabis stores alongside Couche-Tard's convenience outlets across Canada. Over time, this partnership could give the company a foothold in the rapidly expanding cannabis space.

Couche-Tard stock valuation

Finally, the best reason to add Couche-Tard stock to your portfolio is the company's valuation. Despite the recent surge, the stock trades at just 20 times earnings per share. Analysts have placed a [\\$50.6 price target on the stock](#), which implies a 10.2% upside from current market value.

Dividend and revenue are both expected to expand by double-digit percentages every year for the foreseeable future. Also, the company's business model has proven to be resilient, despite the economic lockdown and ongoing health crisis.

Bottom line

Couche-Tard offers a rare combination of factors that make it an ideal long-term investment. The business model is recession resistant. The company has invested heavily in innovative technologies to keep it relevant for decades. Finally, an acquisition-driven growth strategy should help the company deliver tremendous dividends every year.

Despite these factors, the stock isn't overpriced like the rest of the stock market. Investors looking for a robust investment in this environment should certainly take a closer look at Couche-Tard stock.

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