



Here's the Best Canadian Stock to Buy this Fall

Description

Alimentation Couche-Tard (TSX:ATD.B) is likely the best Canadian stock to buy this fall. The convenience store operator just delivered a solid quarter despite a difficult and unprecedented macroeconomic environment caused by the COVID-19 pandemic. Higher grocery demand and lower fuel costs have propelled Couche-Tard's profits. Couche-Tard shares have soared more than 50% from its March low and are up about 12% for the year. This Canadian stock will continue to deliver great returns in the coming months.

The pandemic has boosted Couche-Tard sales

Couche-Tard earned net income of US\$777.1 million for the first quarter of 2021, up 44% from US\$538.8 million in the corresponding quarter of last year.

Adjusted net earnings per share on a diluted basis rose 49.9%, from US\$0.48 to US\$0.71.

The positive financial results of the Laval giant were influenced by the COVID-19 pandemic, whose impacts on people's habits have benefited local businesses. Total revenues from the sale of merchandise all over the world increased by 7%. At 19.9%, the increase was particularly noticeable in Canada.

Couche-Tard said sales were boosted by health regulations which led more customers to go to businesses near their homes, leading to an increase in the average basket. Customers spent more on groceries in its stores.

The drop in fuel sales due to lockdowns was offset by a greater profit on each liter sold. Lower fuel prices boosted gross profit margins at its gas stations by 13.1%.

The drop in fuel demand caused by the coronavirus caused Couche-Tard's total revenue to drop by 31.4% to \$9.71 billion.

The company said demand is starting to pick up, especially in Europe, where travel habits are

normalizing.

Operating expenses for their part edged down 0.3% thanks to tight expense management.

Throughout the quarter, Couche-Tard focused on maximizing cash flow, containing costs, and increasing non-core capital spending to better manage the turmoil and emerge from the crisis in a strong position.

Couche-Tard is on the hunt for acquisitions

Couche-Tard is ready to invest, once again, in its activities to support its five-year growth plan, as the recovery of the various economies in which the company operates progresses gradually.

[Managing Director Brian Hannasch said potential acquisition transactions were relatively quiet](#) during the quarter, but that activity is expected to pick up as the focus on the COVID-19 pandemic wanes.

Alimentation Couche-Tard may not have grabbed hold of the American chain of convenience stores and gas stations Speedway but is on the hunt for acquisitions once again. The Quebec multinational believes other opportunities should soon arise, particularly south of the border as well as in the region of Asia-Pacific.

The fragmented US market remains a prime target, as do the significant opportunities in Western Canada.

The region of Asia-Pacific, including Australia, remains a major area of focus for the company due to its potential for long-term growth.

Couche-Tard, which aims to double its size by the end of 2023, is also present elsewhere in Canada as well as in Europe. Its network has more than 14,000 points of sale, including those that are operated under license.

Couche-Tard continues to study consumer habits to adapt its offer. The company is seeing a move toward larger formats, sanitizers, groceries. Hannasch believes some trends are here to stay.

He also believes that the incomes of many North American consumers are likely to decline as many support programs put forward by governments end. In his opinion, this could prompt many to pay more attention to deals.

Couche-Tard earnings are expected to grow at an average annualized rate of 19.5% over the next five years, which is very good. This Canadian stock [is a great defensive investment](#) in the current context.

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