



3 Reasons to Buy This Top Growth Stock Today

Description

Alimentation Couche-Tard (TSX:ATD.B) is the kind of quality growth stock that you can buy and forget. It's got a proven track record of high profitability.

The recession-resilient stock has ample global growth opportunities to help Canadian portfolios to diversify away from Canada. Importantly, the growth stock is trading at an attractive valuation for your purchase today.

Although Couche-Tard's dividend yield is small at about 0.8%, it has been growing it at an incredible rate that matches its earnings growth. Its dividend has compounded at nearly 27% annually since fiscal 2011! Its last dividend increase was 25%.

Track record of profitability

Couche-Tard is a low-risk business. Its global convenience store network is resilient to recessions. And it has the track record to prove it.

Since fiscal 2011, it has compounded revenues at about 13% per year. This translated to even higher EBITDA growth and adjusted earnings per share (EPS) growth of 22% per year!

In past recessions, such as during the Internet Bubble and the Great Recession triggered by a financial crisis, its convenience sales actually increased. In the last 12 months, the company's revenues are down, but it increased its EBITDA and net income meaningfully along with margin expansion.

Specifically, Couche-Tard's last 12-month EBITDA of \$5.8 billion was 13% higher than a year ago, while its net income of \$3.6 billion was 36% higher. Adjusted EPS was 38% higher. These are incredible, to say the least.

Furthermore, it has posted very strong returns on equity (ROE) of more than 20% every year since fiscal 2011. Its last 12-month ROE of about 25% remains solidly strong.

International growth potential

As the economy normalizes, hopefully, with the vaccine distribution, Couche-Tard will be able to get on with its M&A strategy, such as the transformational US\$5.6 billion Caltex Australia acquisition that it dropped in April 2020 due no doubt to the pandemic chaos at the time.

In the meantime, Couche-Tard took advantage of the opportunity to acquire a much smaller (US\$360 million) but meaningful acquisition in Circle K Hong Kong ("Circle K HK"), its licensee partner.

Couche-Tard sees high economic growth and middle-class formation over the coming decades in Asia. Although there's a pandemic as well as political unrest in Hong Kong before the pandemic, HK is still a good place to be for long-term growth, as it's one of the most developed economies in Asia and an international hub.

Circle K HK provides Couche-Tard a learning opportunity. It offers exposure to a high-density small-footprint network with high visit frequency. Transaction speed and throughput are key to success in the convenience industry.

It also brings advanced technology and innovation capabilities to Couche-Tard, such as introducing gamification as a means to engage customers.

Couche-Tard's leverage ratio of about 1.1 times is at its lowest level since 2004, which is a good reason to believe that an impactful acquisition is not too far off into the future.

Attractive valuation

At under \$45 per share, Couche-Tard trades at a forward price-to-earnings ratio of about 18, while it's estimated to grow EPS by about 19.5% per year over the next three to five years. So, it's priced cheaply for growth.

The Foolish takeaway

Couche-Tard is a [proven growth stock](#) that you can buy and forget. It has a superb record of profitability. So, your money will be in good hands. Additionally, it sees a long growth runway in Asia and the United States. Most importantly, the time is ripe to buy the stock at an attractive valuation right now!

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Author

kayng

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