



## ATD Stock Has Gained over 1000% in the Past Decade: Still a Good Defensive Buy?

### Description

As 2021 kicks off on a positive note with the vaccination process gaining traction, investors are hoping for a less volatile year. There is a possibility that the rally in the last quarter of 2020 could mean a correction in 2021. It's a good idea to have a defensive play in your portfolio if that should come to pass.

**Alimentation Couche-Tard** (TSX:ATD.A)(ATD.B) is one of the world's largest convenience store and gas store owners with a market capitalization of around \$48.3 billion. The stock is quite a defensive player and it was this armor that helped it stay remarkably resilient throughout the pandemic.

Despite having enough cash on its books, it preferred to err on the side of caution. As the economy shows signs of recovering, it looks like Couche-Tard is gearing up with fresh in-store offerings, and might give serious thought to acquisitions as well.

### ATD's strong performance in fiscal Q2

For 2020, ATD's revenues were down this year, but EBITDA and net income did go up. For the second quarter ended October 11, 2020, Couche-Tard's net income rose by a whopping 32% compared to last year. Total merchandise and service [revenues were up](#) by 6.3%, while same-store merchandise increased by 4.4% in the U.S., 8.6% in Europe, and 11.4% in Canada.

However, same-store road transportation fuel saw a decrease of 15.5% in the U.S., 4.5% in Europe, and 11.8% in Canada. The drop in numbers was because of the lockdown restrictions in several regions.

Having access to a cash reserve of \$6 billion cash means the company can easily go on an acquisition spree if it decides to go down that route.

This year saw only a 7% overall growth in revenue — much less than the previous years. The pandemic has made a huge dent in the profitability of companies across the world, and Couche-Tard

was no exception. Due to the country-wide lockdowns, fuel sales were down. While sales from other categories went up, it didn't make up for the lost numbers.

Another reason for lower revenues was the lower number of acquisitions this year. Couche-Tard is known for an aggressive acquisition policy that increases top-line numbers but we didn't see many mergers and acquisitions this year.

## Huge growth opportunity ahead

As the economy normalizes ATD has high growth opportunities ahead like the transformational \$5.6 billion Caltex Australia acquisition deal which it had to drop off this April due to pandemic chaos.

Its \$360 million acquisition [in Circle K Hong Kong](#) will be providing exposure to a high-density small-footprint network that has high visit frequency along with providing advanced technology and innovation capabilities like gamification for engaging customers.

ATD's leverage ratio of 1.1 times, the lowest since 2004; this can catalyze its acquisition possibilities further. Couche-Tard has proven itself as a growth stock over the years. It has gained over 1000% over the past decade and could grow at a decent rate in the new decade too.

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