



3 Reasons to Back Up the Truck on 1 Canadian Growth Gem Before it Goes Parabolic!

Description

Alimentation Couche-Tard (TSX:ATD.B) has all the makings of a [parabolic growth company](#). That said, this Canadian growth gem is trading at a fraction of its growth-oriented peers.

Growth and diversification are undervalued for this company

The fact that this company has both organic growth drivers as well as growth via acquisition is compelling.

Couche-Tard is attractively diversified geographically. The company has significant holdings in North America and Europe, with more than 10,000 locations all over the world. These locations have been added to recently, with the company's first acquisition in Asia set to close soon. With more acquisitions on the horizon as well as a tremendous amount of growth from its existing operations in Asia, there is a lot of room for long-term growth for this company.

Couche-Tard has set the stage for decades of growth, focusing on regions of the world that are set to boom. This supplements current market growth and impressive organic growth in existing developed markets.

The business model is solid

The convenience store business is not a "sexy" one, but Couche-Tard has found a way to turn this company into a growth machine. That said, the company's valuation has not followed suit.

The business model is an oldie but a goodie. The idea of attracting customers with cheap fuel (which is possible because of excellent procurement strategies) and getting higher-margin purchases in store is not a new one. That said, Couche-Tard has perfected this model. This business model has resulted in Couche-Tard's gross margin being the envy of the sector. Despite this, the market fails to completely value this company at current levels.

This stock is only trading at around 15 times earnings. This is despite constant consolidation and synergistic improvements across its portfolio. I think that a ton of upside is being left on the table right now by the market. Therefore, I am pounding the table on this one and think investors should jump on board right now before the company's stock price takes off in the years to come.

Bottom line

I see a likely scenario where undervalued growth gems like Couche-Tard see a significant valuation bump in 2021. More investors are likely to move to diversify away from technology holdings that have skyrocketed recently. Couche-Tard is one of the best options for such investors. Capital inflows into growth is likely to continue for some time. Accordingly, investors seeking a safer growth option on the TSX right now ought to consider Couche-Tard, particularly at these levels.

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Author

chrismacdonald

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