



Why a Democrat-Run Senate Is Bad News for This Canadian Stock

Description

I've been what I would describe as a perma-bull on **Alimentation Couche-Tard** (TSX:ATD.B) [in the past](#). That said, as with any great company, it's important to look at both sides of the trade. In this article, I'm going to discuss why Couche-Tard could see some downside on the near-term horizon.

Political landscape not favourable

The U.S. senate seat wins in Georgia have changed the game somewhat for Couche-Tard recently. Investors seem to be bearish on this stock in the near-term as a result of this shift in government south of the border. This is mainly due to an increased chance of regulatory changes with respect to EV adoption and clean energy solutions.

A fully democratic administration in the U.S. might stoke questions about what long-term fuel demand might look like in the U.S. These concerns do spill over into Canada as well, given the coordination of OECD countries on global emissions targets.

Couche-Tard is in the business of selling gasoline and other higher-margin goods at convenience stores. About one-third of the company's profit is derived from the sale of gasoline at the company's gas stations around the world. While the convenience business has been the main driver of this stock for some time, investors may be getting a bit antsy with this news. Accordingly, I expect some weakness over the near-term to unfold with this stock.

Still a great holding long term

That said, this is still a great long-term buy and hold opportunity.

Couche-Tard is one of the premier consolidators of an industry that remains highly fragmented. Accordingly, my expectation is that we'll see more acquisitions on the horizon. I see Couche-Tard continuing to expand in Asia and other growth areas of the world. The company recently made a key acquisition in Asia, and this will be a springboard for long-term growth over time.

Additionally, Couche-Tard's margins are some of the best in class as a result of excellent procurement and pricing strategies in the company's fuel business as well as its convenience business. This is also due to the company's size and scale. The acquisitions undertaken by the company set Couche-Tard up for improved pricing power over the long term.

This bolsters the argument that margin expansion could take place. Additionally, this provides defensiveness to investors in terms of cash flow quality long term.

Bottom line

Couche-Tard is a great company to own for long-term investors. The reality that near-term weakness could be on the horizon is something investors should be aware of. At the same time, I think this is a company that deserves a "buy the dip" mentality, and would certainly recommend investors consider picking up shares on weakness if this stock fits their investing goals.

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