Buy Alert: This TSX Growth Stock Just Dipped +10%!

Description

Alimentation Couche-Tard (TSX:ATD.B) stock just got a whole lot cheaper, as it fell off a cliff. The price action was seemingly triggered by the news that Couche-Tard made a non-binding offering to acquire **Carrefour**.

The market must have really hated the idea of Carrefour becoming a part of Couche-Tard to sell it off by more than 10% yesterday.

Can the growth stock make its investors even richer?

Couche-Tard has made tonnes of smart acquisitions in the past. Time and again, it makes acquisitions, reduces its leverage ratio, rinse and repeat. All the while, it generates substantial cash flow.

In the process, the global convenience store consolidator has made its long-term shareholders super rich. A 2011 investment in ATD.B — merely 10 years ago — has delivered annualized returns of 25% a year. To illustrate, it turned a $10,000 investment into $94,675, a nine-bagger!

The extraordinary returns also rested on management's integration abilities, as well as, learning from its acquisitions to apply what works, across its network.

Of course, Couche-Tard is much bigger than it was a decade ago. Whereas acquisitions made up 70% of its growth in the past, management sees them contributing to about 50% of its growth going forward.

That's fine, because the company has a solid pipeline of initiatives, including innovation and deploying retail capabilities, to drive organic growth.

Investors may be scratching their heads as to why Couche-Tard is interested in Carrefour, which operates in the lower-margin grocery store industry. Maybe it's a mix of Carrefour's strong performance through last year and its high-growth food e-commerce business. Carrefour also has a debt-to-cap of about 76%, which is on the high end.

Certainly, if Couche-Tard ultimately acquires Carrefour, management will share the reasons. I'm not about to bet against Couche-Tard that has delivered awesome returns on equity in the 20% range in the last decade or so.

So, if you ask me, my answer would be yes, Couche-Tard will make its investors even richer over the next decade, especially after 10% was shaved off from its share price.

Besides, it's not like the acquisition is set in stone. The French Finance Minister, Bruno Le Maire, is one of the first to voice his dislike toward this acquisition.

How Couche-Tard has been faring in the pandemic

Couche-Tard has been resilient during the pandemic. Interestingly, in the last 12 months, its revenue fell 19% to $61 billion, but its margins improved.

The higher profitability drove EBITDA, a cash flow proxy, of $5.8 billion and net income of $3.6 billion in the period. Adjusted earnings per share increased by 38% to $3.26. With an annualized dividend of $0.35 per share, the growth stock's payout ratio is only about 11%.

The Foolish takeaway

Due to Couche-Tard's 16-year low leverage ratio, I suspected Couche-Tard was going to make an acquisition with a bang. It was a bang alright — one that shook the conviction off some ex-ATD.B investors.

If the growth stock can return just 15% a year, which is highly possible, from its current attractive price of about $37 per share, you'll be able to double your money in merely five years. That'd be pretty awesome!

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