



## 1 Top Growth Stock to Buy Now

### Description

Last week, I posted [a buy alert](#) on **Alimentation Couche-Tard** (TSX:ATD.B) after the **TSX** growth stock dipped +10% on the news that it could be acquiring France-based **Carrefour**.

I wrote that “Couche-Tard ... has delivered awesome returns on equity in the 20% range in the last decade or so. So, if you ask me, ... 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.”

As the latest developments would have it, the acquisition was called off over the weekend. Instead, the two multi-billion-dollar companies have extended their discussions for a potential partnership.

Areas of cooperation could include “sharing best practices on fuel, pooling purchasing volumes, partnering on private labels, improving the customer journey through innovation, and evaluating ways of optimizing product distribution in the overlapping networks,” as discussed in Couche-Tard’s press release.

If a successful operational partnership forms between Carrefour and Couche-Tard, it will help Couche-Tard strengthen its core businesses in convenience and fuel.

### Couche-Tard’s business

Couche-Tard is already a formidable company and a global leader in the convenience industry. It has about 14,200 locations across the world with a large presence in Canada, the United States, and parts of Europe. Many of its locations also offer road transportation fuel. Locations in emerging markets are operated by licensees.

Despite more people working from home during the pandemic and Couche-Tard’s revenues falling, the company was able to improve margins and earnings. Specifically, its last 12-month revenue was \$61 billion, while its adjusted earnings per share (EPS) climbed 38% to \$3.26.

Couche-Tard's merchandise operations drove more than half of the gross profits in the last fiscal year. About 65% of its transactions are convenience only, which enjoy nice profits. Its expanded food offerings, such as hot dogs, hamburgers, and pizza, through its new initiative "Fresh Food Fast," which began last year across selective North American stores, have helped drive foot traffic and convenience transactions.

## Driving shareholder returns

Interestingly, Couche-Tard has been improving its fuel margins in North America. It has also managed to grow same-store merchandise sales across its key markets. Combined with management's cost discipline and M&A strategy, Couche-Tard stock has generated outstanding returns for shareholders.

Couche-Tard's dividend yield has always been small. Most of the time, it's less than 1%. However, it has been growing its dividend at a super-high rate. ATD.B's 10-year dividend-growth rate is almost 27%.

Couche-Tard stock is suitable for buy-and-hold total return investors who have an investment horizon of at least five years.

## The Foolish takeaway

[Couche-Tard](#) will do fine, even without acquiring Carrefour. It can form a partnership with Carrefour with both companies winning. Moreover, it can seek acquisitions from the global fragmented industry, such as in the United States or Asia, which are its focus areas for M&A.

The company has a strong track record of execution. In the process, it has generated incredible total returns for long-term investors. Since 2007, the stock has generated annualized returns of about 17%.

Buyers of Couche-Tard stock at the current levels should not be disappointed. At about \$38 per share at writing, the growth stock trades at about 15 times forward earnings, while it could increase its EPS by about 15-20% a year.

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