



This Canadian Growth Gem Just Went on Sale: Buy It!

Description

Alimentation Couche-Tard (TSX:ATD.B) added to its recent decline in Thursday's trading session, plunging another 2.2%, as investors grew increasingly confused and frustrated over the firm's proposed takeover of French grocery retailer Carrefour in a deal reportedly worth US\$20 billion (around CA\$25 billion).

Based on initial comments from the French government, it seemed as though a Couche-Carrefour deal would fall through, like so many of Couche's past pursuits that didn't amount to anything (think Caltex Australia). Carrefour stock pulled back just a day after its pop, as the odds of a regulatory blocking of the deal seemingly increased.

Now, it appears that the French government may need a bit more time to digest such a deal's implications. Yet, Couche-Tard investors seem more than willing to throw in the towel here, as the consumer staples and defensives stocks have been heavily out of favour in recent months.

Couche-Tard investors dislike the proposed Carrefour deal — why?

There's no question that the initial news of a Couche-Carrefour deal was a [shock](#) to everybody. The French government, investors, and analysts have been scratching their heads. And given the magnitude of the blockbuster deal, everybody needs to take a step back to analyze the real implications of what could be a historic industry tie-up.

Investors hate uncertainty and surprises. Heck, they seem to be searching for reasons to rid their portfolios of Couche-Tard shares, which have been trading water for quite some time now. Following the Couche-Carrefour news, they finally found a reason to sell.

With ATD.B stock now down around 24% from its high, I'm inclined to back up the truck on shares, as I'm one of the few folks you'll find who's actually bullish on the Couche-Tard's pursuit of Carrefour.

Couche-Tard could be the *Amazon Go* and *Amazon Go Grocery* of Europe

I think it's a massive mistake to give up on Couche-Tard stock as this most critical of market crossroads. The Couche-Carrefour deal, I believe, could put Couche-Tard in a spot to become the **Amazon.com** ([NASDAQ:AMZN](#)) of the European grocery business.

As you're aware, Amazon is looking to make a [splash](#) in the grocery scene after having picked up Whole Foods Market in a deal that perplexed some at the time. When you think about it, it doesn't make much sense for an e-commerce company to gain a brick-and-mortar presence with the acquisition of a grocery store chain.

When you have a glimpse into the future, though, it becomes more apparent that the future of grocery shopping could lie in a convenience-grocery hybrid store, much like Amazon Go Grocery locations. You've got hypermarkets, supermarkets, small grocery stores, and even smaller convenience-store-sized stores, the latter of which could experience explosive growth over the next decade.

Changing with the times

As electric vehicles hit the roads over the next 10 years and beyond, Couche-Tard could gradually see its fuel sales decay. The company is experimenting with c-stores equipped with charging stations in Norway, a country that's already seen wide adoption of EVs. But with workplaces and grocery stores equipping their parking spots with charging stations, it's clear that Couche-Tard will need a new way to keep its customers entertained for the 30+ minutes it takes to charge an EV.

The solution? More fresh food made possible by a smaller-scale convenience-grocery-store hybrid, which Couche looks to be doubling down on with its Carrefour move.

I'm a raging bull on a Couche-Carrefour tie-up and think investors who doubt the deal today should look to Amazon to serve as an example. They're in the grocery business, and they've embraced all scales of grocers, from mid-sized supermarkets (Amazon Fresh) to convenience-store-sized markets (Amazon Go Grocery) and fresh-food-equipped convenience stores (Amazon Go).

Foolish takeaway on Couche-Tard

Investors and analysts are confused over the Couche-Carrefour tie-up. And I'm confused as to why they're so perplexed, given Amazon, a tech company, clearly sees opportunity in the grocery arena.

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