



Investors: This Canadian Growth King Deserves More Respect!

Description

I was pretty shocked at the single-day correction in shares of **Alimentation Couche-Tard** (TSX:ATD.B) on the day that talks between the convenience store kingpin and French grocer Carrefour became serious.

The deal's shocking nature sent shares crumbling like a paper bag as investors threw in the towel on the firm and its strategic pivot. Couche-Tard was misunderstood before the Couche-Carrefour news. Now, it's vastly misunderstood with the firm looking to make a splash into the razor-thin business of grocery stores.

Soured deal leaves a bad taste in the mouths of Couche-Tard investors

Although the Couche-Carrefour deal was blocked by the French government over food security concerns amid the pandemic, Couche stock has yet to recover from its vicious plunge. Many investors were unhappy with management's decision to shock them.

Other investors are no fans of the grocery business. Many fed-up former shareholders are probably not coming back. But it's their misunderstanding of the company that I believe opens up a window of opportunity for contrarian long-term investors who are able to put in the due diligence to understand the complicated M&A-focused growth profile of the convenience store operator.

At the time of writing, Couche-Tard shares are sitting off just over 15% from their all-time highs. The stock trades at 12.6 times trailing earnings, which, I believe, is vastly discounting the firm's longer-term growth prospects and the capabilities of management.

Although the Carrefour deal fell through, Couche-Tard remains keen on getting into the business of grocery retail. The strategic pivot is perplexing to many, and I'm one of few folks who gets the deal and how a grocery retailer fits in the longer-term growth puzzle that is Couche-Tard.

You see, Couche-Tard will be up against it in 10 years or so when [electric vehicles \(EVs\)](#) hit the roads and fuel sales start to go on the downtrend.

The solution?

Fresh food and other quality items mainly found at grocery stores. While others view long-term fuel sale headwinds as a negative, I view it as an opportunity for Couche-Tard to double-down on its higher-margin in-store products.

Adapting with the times

Once electric charging stations become the norm, Couche-Tard will need to give people more of an incentive to come to its locations. The main reason people go to many of Couche's locations is to fill up their tanks. Once EVs become the norm, Couche will need to double-down on grocery items if it's going to mitigate its fuel sales headwinds.

Amid the pandemic, fuel sales have been quite muted. But merchandise sales have been robust enough to offset such pressures. Moving forward, I see tremendous opportunity if Couche can land a deal for a grocery giant on the cheap. Couche-Tard can leverage the fresh food supply chain and really bolster its existing locations while combatting longer-term headwinds brought forth by the rise of EVs.

Couche-Tard shouldn't be seen as just a fuel retailer. It's in the business of convenience. The company sells time to people. And if it can acquire a grocer, I'd pound the table on the stock for the long-term, as the firm can easily turn low-margin grocery items into high-margin ones by moving them efficiently across their channels of convenience stores. That's the true power of the convenience premium. And I believe any grocery-deal-induced weakness in the stock should serve as a buying opportunity for those looking for growth over the next 10, 20, or even 30 years.

Don't believe me? [Just look to Amazon.com](#) and their ambitious plans with Whole Foods.

Foolish takeaway

Most people hate Couche's grocery pivot. I, however, am a huge fan and think the strategic pivot will pay massive dividends over the long haul. I'm giving management the benefit of the doubt here and would encourage investors to not discount their incredible track record of creating shareholder value both organically and inorganically.

The stock is a steal in my books, and I'm personally accumulating more shares on weakness.

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