



Great Stock to Buy: Alimentation Couche-Tard (TSX:ATD.B)?

Description

One of the most intriguing investment options on the market is **Alimentation Couche-Tard** (TSX:ATD.B). The retailer has often been referenced as a great growth stock to investors, and for good reason. Recent events have some investors now questioning that view. Here's a look at those recent developments and whether they still make Couche-Tard a great stock to buy.

What made Couche-Tard great?

Couche-Tard is best known as one of the largest gas station and convenience store operators in the world. In total, the company has a network of over 14,000 locations in 26 different countries. The vast majority of those locations are situated in the U.S. and Canada.

The draw of a convenience store really can't be underestimated. At first glance, they don't exactly resonate as a great investment opportunity, but taking a close look tells another story. Think about this: convenience stores are situated in major thoroughways, have a high-traffic flow, and are not (at least in North America) seen as destinations where patrons will loiter around.

In short, they are interim stops for customers who are on their way to their final destination. This applies to whether it's grabbing some milk on the way home from work or grabbing some snacks for the road and gassing up before starting a road trip.

That business model allowed Couche-Tard to be both aggressive and defensive. The [defensive appeal](#) of that business model alone makes Couche-Tard a great stock to buy. Throw in Couche-Tard's aggressive stance toward expansion, and you have the perfect mix for nearly every portfolio.

Those acquisitions have varied in size, but all have some key similarities. Couche-Tard used those acquisitions to springboard into new markets and carefully identified elements from each acquisition that could be used across other parts of the business. The result was a network of rebranded stores, which contribute to Couche Tard's bottom line and help fund further expansion. Again, that makes Couche Tard a great stock to buy.

Is the market or Couche-Tard changing?

The past few years have seen Couche-Tard take a break from its aggressive stance to expansion. Some of that hiatus was due to the company embarking on a multi-year rebranding of its stores. This included consolidating a dizzying array of acquired brands down to a few core ones. In turn, this offered some synergies for the company.

But a return to that growth mode now seems likely, just with a twist.

Earlier this year Couche-Tard explored acquiring French retailer Carrefour. The proposed US\$20 billion deal would have pushed Couche-Tard into a position as one of the largest retailers on the planet. The offer was ultimately rejected by the French government over food-security concerns.

More importantly, this deal represented a new direction for Couche-Tard. Declining traffic and, by extension, revenue due to the pandemic hasn't helped Couche Tard's stock realize any memorable growth. Adding to those woes is the increasing penetration of EV into the market, which will put pressure on Couche-Tard's fuel business, which will need to evolve, assuming those trends continue.

Is Couche-Tard a great stock to buy?

The recent move for Carrefour signifies that Couche-Tard is shopping for an acquisition to appease both its aggressive appetite for growth and defensive need to diversify. That could lead to an upgraded offer being expressed to Carrefour or other potential targets.

The more immediate result of that initial rejection was that Couche-Tard's stock saw a pullback. In fact, the stock still remains down nearly 10% year to date. This makes it an excellent time to pick up shares of what is otherwise a great stock to buy [at a discounted rate](#).

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