Today’s Top Buy: Alimentation Couche-Tard

Description

Alimentation Couche-Tard (TSX:ATD.B) has remained on the radar of growth investors of late. This is hardly surprising given what the company’s stock price has done (not much) of late.

Indeed, this underperformance comes despite traditionally excellent historical growth. With expectations Couche-Tard could double its net profits in the next 5 years, this doesn’t make sense. Here’s why Couche-Tard continues to be one of my top picks.

Couche-Tard’s a growth play, so forget about its dividend

Couche-Tard’s a great growth play at a very reasonable price right now. That’s hard to find. Indeed, at this valuation, there really aren’t any cheaper growth plays with this level of quality on the **TSX** right now that I can find.

Alimentation’s current dividend yield sits below 1% as of writing, which is certainly nothing to write home about. Additionally, the company also cut its dividend in 2019. This may dissuade some income investors from this stock.

However, Couche-Tard really is more of a growth play than an income play. The dividend is really just a freebie.

That said, there’s room to be optimistic on this front. Couche-Tard has raised its dividend twice since the aforementioned cut. It’s got the potential to continue to grow its yield in the absence of any massive deals. Right now, deal flow has been lower than usual, so this kind of move may come.

However, I think investors are hoping more acquisition-related growth is on the horizon. Indeed, this is a stock most investors buy for capital appreciation first. If dividend growth isn’t there over time, investors needn’t worry. It’s an afterthought.

Strategic diversification a positive for Couche-Tard

I think Couche-Tard is being unfairly punished by the market right now.

Yes, the company's $20 billion takeover bid for French retailer **Carrefour** was a big one. Perhaps the price tag was too large, or the move into retail wasn't expected. I get why the market was spooked.

However, I'm surprised the market hasn't responded more kindly of late, as the deal fell apart. Either investors are happy the deal didn't go through or not.

It appears the strategic play the company was making to move into retail was met with a lot of resistance from investors. However, as I've stated in the past, I think this was a very prudent move. Investors need to consider the fact that gas station revenues are likely to be in long-term decline.

Couche-Tard's world-class management team is looking well down the road for future growth. For long-term investors, it's nice to know the company you're investing in has a management team that has your back.

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