Alimentation Couche-Tard Breaks Out: Here's Why it Could Be Headed Even Higher

Description

Shares of **Alimentation Couche-Tard** (TSX:ATD.B) broke out to hit a new all-time high on Thursday of $49 and change, thanks in part to an upbeat Investor Day delivered the day prior on July 14.

Undoubtedly, the convenience store kingpin has been one of the more misunderstood businesses in Canada. The Investor Day, I believe, cleared up a lot of confusion regarding the firm's direction and its perplexing pursuit of French grocery giant Carrefour, which is now completely off the table. The incredible day sparked an incredible 5.8% single-day pop, which could be the start of a move to much higher levels going into year's end.

Indeed, Couche-Tard stock's big breakout was a long time coming.

As a part of the Investor Day, management shed some more light on its very ambitious growth plans, which inspired many sell-side analysts to upgrade their recommendations and price targets.

The company is still aiming to double its EBITDA to around $6.3 billion by fiscal 2023. Despite pandemic uncertainties, and the firm being relatively quiet on the M&A front, Couche-Tard is still going full speed ahead with its growth plans.

Although investors are still awaiting the company's next big deal, as the company's balance sheet continues to swell, I think the biggest takeaway from the Investor Day was that the Carrefour deal, a failed deal that caused pressure on Couche-Tard stock, is unlikely to end up happening.

Despite past comments from management about wishing for another shot to sweeten the pot in a takeover offer for the French grocer, it now appears that any such deal-induced value destruction is now out of the question.

The collective sigh of relief from investors who disliked the Couche-Carrefour tie-up was almost palpable.

Big growth ahead for Alimentation Couche-Tard

Moving ahead, Couche-Tard is likely to continue growing organically via various initiatives. Such initiatives are to include bolstering in-store offerings and removing friction from the payment process.

Such enhanced stores are likely to allow Couche-Tard's overall margins to expand steadily into the next decade, even as fuel sales wane and EVs (electric vehicle) charging stations take their place at the local Circle K.

To double EBITDA by fiscal 2023, though, Couche-Tard will likely need to do more than expand upon its margins at its existing stores. The company needs to return to its roots and start making some acquisitions, preferably in the convenience store space and not the grocery arena.

Given management's value-oriented background, they're not going to make a deal for the sake of making the news or pleasing near-term traders. Couche-Tard is all about hunting down synergies and creating value for its long-term shareholders. These days, bargains are few and far between. And that's likely why the company has been so quiet.

Foolish takeaway

In due time, I think the right deal at the right price will be landed. Until then, you can count on management to continue patrolling the global convenience store space for synergistic opportunities. In the meantime, expect quarterly results and earnings to fuel a continued rally in the stock.

Couche-Tard is still dirt cheap after its nearly 6% single-day pop. With more clarity on its growth plans, I think the stock could be headed to the $60 mark by year-end.

CATEGORY

1. Coronavirus
2. Investing

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Coronavirus
2. Investing

Date

2025/07/27
Date Created
2021/07/17
Author
joefrenette