



Why Alimentation Couche-Tard Remains a Top Stock to Buy in July

Description

Alimentation Couche-Tard (TSX:ATD.B), a major convenience store and gas station chain, is showing signs of recovery in the post-pandemic scenario. The recent earnings reports indicate that it is well positioned to be a pandemic recovery play. Couche-Tard's strong financial outlook makes its stock [appear cheap](#) relative to its growth potential.

It is a company that has excellent long-term potential. Here's why investors might have more reasons to come back to the table on Couche-Tard stock.

Multiple factors driving Couche-Tard's growth

Alimentation Couche-Tard is one of the six Canadian companies on RBC Dominion Securities's Top 30 Global Ideas list for the third quarter of 2021.

According to analyst [Irene Nattel](#), there are various factors to consider with respect to Couche-Tard's growth. These include

- Fascinating growth momentum due to a highly focused and data-driven approach towards promotional and merchandising strategies;
- Acquisition potential to boost the company's long-term growth;
- Sharing of essential company practices among various countries with the aim to boost sales and productivity; and
- New store openings and subsequent increased economic activity

These strategies have allowed Couche-Tard to perform well over the long term. Indeed, should these factors remain in place, I think there's tonnes of upside left on the table for investors.

Couche-Tard currently has a "moderate buy" rating with an average target on the Street at \$53.34. This implies upside of nearly 10% from here, though I think these analyst targets could continue to be revised higher moving forward.

Bottom line

Couche-Tard is a stock that has failed to perform well during the pandemic for obvious reasons. As driving volumes diminished, so too did Couche-Tard's convenience store and gasoline sales. However, the obvious recovery thesis with this stock remains solid.

As a pandemic reopening play, Couche-Tard remains a top pick of mine. I think this company's underlying business model is strong and will continue to allow investors to benefit over the long-term. Accordingly, patient investors who are willing to wait out some near-term pain could see some long-term gains in the years to come.

Indeed, this is a stock mainly oriented toward investors with a long-term investing time horizon. The company's growth-by-acquisition model remains intact. Accordingly, I see tonnes of potential over the long term for Couche-Tard to continue to generate higher returns for investors both organically as well as through the company's M&A activity.

Right now, Couche-Tard's valuation of only 16 times earnings relative to its growth potential is extremely enticing. Investors seeking long-term growth can't go wrong with this undervalued gem right now.

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Date

2025/06/28

Date Created

2021/07/18

Author

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