



Why Couche-Tard Stock Could Continue to Soar This Summer

Description

Alimentation Couche-Tard (TSX:ATD.B), one of North America's top convenience store chains, has been showing some signs of recovery lately. The company seems to have fantastic long-term growth potential. Moreover, the robust financial outlook of Couche-Tard stock helps to make its stock appear [undervalued](#) relative to its peers.

Accordingly, I think Couche-Tard is well positioned to provide incredible value for long-term investors. Here's why Couche-Tard could continue to soar through the end of the summer and the end of the year.

Couche-Tard stock has an attractive organic growth outlook

Desjardins Securities analyst Chris Li has raised his financial expectations for Couche-Tard stock. He feels that the stronger-than-expected growth opportunities coupled with a number of initiatives will prove beneficial for the company.

Mr. Li states that high valuations in the sector will likely prevent Couche-Tard from undertaking larger acquisitions. However, higher fuel margins, the ability to buy back shares, and aims for organic growth will help Couche-Tard achieve EPS growth of more than 10%.

The company announced its growth strategy to fulfill its 2018 goal of doubling its earnings to US\$6.3 billion within 2023. This strategy includes cost optimization, localized pricing, store network improvements, promotions, improved assortment, and other initiatives.

This improved outlook has resulted in higher earnings expectations for Couche-Tard. This company is now expected to earn substantially higher earnings in 2022 and 2023, driving target price increases for Couche-Tard stock.

Pandemic reopening thesis remains strong

The pandemic resulted in a slowdown in driving activity, which affected Couche-Tard's core gas station and convenience store business substantially. However, as we all continue to emerge from our cocoons, Couche-Tard stock should also show rapid improvement in the quarters to come.

Accordingly, I'm hopeful that Couche-Tard stock will be an outperformer in the near, medium, and long term. I think there's a lot to like about the potential of this company for patient investors willing to wait out the short-term noise. This stock has been too cheap for too long, trading at a price-to-earnings ratio below 15 for a significant chunk of this year.

However, as investors begin to see the growth potential Couche-Tard stock provides, I expect some sort of valuation multiple expansion to take this stock toward its longer-term mean. The company's valuation multiple has recently expanded toward [17 times earnings](#) recently, indicating this shift is already on.

Bottom line

Couche-Tard stock is one long-term investors will want to keep an eye on. Indeed, this company's growth prospects remain robust. Additionally, I view Couche-Tard stock as one of the most undervalued opportunities in the market today.

Long-term investors seeking growth at a reasonable price can't go wrong with this name. It's a long-term holding trading at a valuation that doesn't make sense, leading me to believe there's tonnes of room for capital appreciation on the horizon.

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