



Why Alimentation Couche-Tard (TSX:ATD.B) Stock Could Skyrocket This Week

Description

Alimentation Couche-Tard (TSX:ATD.B)(TSX:ATD.A) is gearing up to report its results for the first quarter of the fiscal year 2022 after the market closing bell on August 31. While its stock has already risen by nearly 12.4% in the ongoing quarter so far, it has still underperformed the broader market on a year-to-date basis. As of August 29, the stock was up 18% in 2021 against 18.4% gains in the **S&P/TSX Composite Index**. Nonetheless, I expect Couche-Tard stock to rally after its first-quarter results. Before I give you some key reasons for my expectations, let's take a closer look at Street analysts' consensus estimates for the company's latest quarterly results.

Analysts' expectations for Couche-Tard's Q1 results

In the fourth quarter ended in April, Couche-Tard's revenue [grew](#) positively after declining in the previous four quarters in a row. The company reported a 26.3% YoY (year-over-year) increase in its total sales to US\$12.23 billion. Street analysts expect its revenue growth trend to improve further in the July quarter. According to these latest estimates, Couche-Tard could report about a 36% YoY rise in its Q1 revenue to US\$13.16 billion. This estimated sales figure also reflects a sequential improvement in its revenue.

Analysts expect Couche-Tard Q1 earnings to be around US\$0.65 per share — showcasing 25% growth over the previous quarter.

What could drive its financial growth?

In the April quarter, Couche-Tard's overall financials saw the positive impact of higher average road transportation fuel selling price and currency tailwinds. Increasing demand for energy products and organic growth in its merchandise segment also accelerated its financial recovery.

The demand for transportation fuel continues to be strong even today due to rising economic activities — further strengthening oil prices. That's why I expect Couche-Tard to continue benefiting from higher average fuel prices in the first quarter as well. Similarly, gradually reopening economies across North

America and Europe in the recent months could be driving more traffic to its stores which are likely to accelerate its financial growth further in Q1.

Couche-Tard stock could skyrocket

Couche-Tard currently owns more than 14,200 convenience and fuel retail stores across 26 countries and territories. Despite its large existing network, its management is continuing to pursue quality acquisitions lately that could help the company grow even faster in the long term.

It's also important to note that the company makes most of its revenue from the United States. Considering a recent positive trend in consumer spending and retail sales growth in the U.S. market, Couche-Tard could report much better-than-expected Q1 revenue and earnings growth and give a business growth outlook. That's one of the key reasons why I expect its stock to skyrocket in this week and beyond.

While Alimentation Couche-Tard's stock is currently trading on a positive note on a year-to-date basis at \$51.21 per share, it hasn't seen much appreciation this year so far. Given its expected consistent financial recovery, I find its stock [undervalued](#) right now. This is another factor that makes the stock worth considering even for long-term value investors right now.

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