



Why Couche-Tard Stock Plunged 7% on Wednesday

Description

What happened?

The shares of **Alimentation Couche-Tard** (TSX:ATD.B)(TSX:ATD.A) are on the slide today, as they plunged by more than 7% on the [TSX today](#) to below \$48 per share. With this, the stock entered negative territory on a quarter-to-date basis. Today's losses in Couche-Tard stock came a day after the company reported its October quarter results yesterday after the market closing bell.

So what?

Alimentation Couche-Tard is a well-known multinational convenience stores operator based in Laval, Quebec. The firm currently operates 14,200 stores across 26 countries and territories. In the second quarter of its fiscal year 2022, Couche-Tard's total sales rose by 33.5% YoY (year over year) to US\$14.2 billion — slightly higher compared to analysts' consensus estimates. However, its YoY sales growth in the latest quarter was lower than about 40% YoY in the previous quarter.

Its adjusted earnings for the quarter stood at US\$0.65 per share — down 1.5% YoY. It also missed Street's expectation of US\$0.66 per share by a narrow margin mainly due to its higher operating expenses during the quarter.

To add pessimism, Couche-Tard, in its latest earnings report, [acknowledged](#) that it's continuing to face labour and supply chain challenges. Due to these issues, the company termed the current scenario "the most difficult market in recent history." These negative factors could mainly be responsible for hurting investors' sentiments and driving its stock lower today.

Now what?

While Couche-Tard's latest quarterly earnings missed analysts' expectations by a narrow margin, the overall trend in its revenue growth remains strong. Notably, the company's earnings have beat Street's

expectations in four out of the last six quarters.

The organic growth in its convenience and road transportation fuel activities improved in the last quarter, reflecting its consistent recovery in the post-pandemic phase. At the same time, Couche-Tard's same-store sales growth remained strong in its key markets, including the United States and Europe. I expect these positive factors could help Couche-Tard stock recover sharply in the coming quarters, as labour and supply chain challenges start gradually subsiding. That's why the ongoing correction in Couche-Tard stock could be an opportunity for long-term investors to buy cheap right now.

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