Couche-Tard (TSX:ATD) Stock Flirts With New Highs: Higher Highs Up Ahead?

Description

Shares of c-store kingpin **Alimentation Couche-Tard** (TSX:ATD) flirted with new all-time highs on Wednesday. Indeed, it was a long-time coming, but as the value trade heats up again, could the earnings growth giant finally get the momentum it needs to take off? Undoubtedly, Couche-Tard is one of the Canadian companies that's a force to be reckoned with at the international level. The firm behind Circle K has a significant presence in the U.S., and other c-stores have been doing extraordinarily well in Canada and global markets.

The stock is also incredibly cheap versus its growth rate. While shares are rallying nicely of late, it's worth noting that a big chunk of the earnings multiple compression has been due to actual earnings rather than share price depreciation. I think earnings growth could pick up, as the company looks to get more active on the M&A front once again. While Couche-Tard is best-known for acquiring its way to greater revenue and earnings growth, the firm hasn't been as active of late. Why? Partially due to failed pursuits that fell through.

Indeed, Caltex Australia would have been a great pick up. The French grocer Carrefour, a deal investors hated, was also an intriguing, albeit unorthodox takeover candidate for the convenience retailer. That deal fell through very fast, yet investors pondered what CEO Brian Hannasch and founder Alain Bouchard were up to and where they saw the company going next.

Lots of cash for a big deal

With plenty of dry powder to put to work, Couche-Tard seeks another big deal. In the meantime, though, the company has shown that it can continue growing organically. Indeed, the rollout of fresh food and other intriguing products has fuelled same-store sales (SSS) growth. Still, Couche-Tard could really use an acquisition if investors are going to be truly excited about shares of ATD again.

Nobody knows if a big deal will happen this year or what the nature of the deal will be. What do we know? Couche-Tard won't overpay and risk destroying value for shareholders. Indeed, such peace of mind is needed for firms engaged in the growth-by-acquisition model.

For now, Couche-Tard isn't just a firm with the urge to merge. It's so much more.

It can grow organically and seize industry opportunities at hand. At $54 and change per share, Couche goes for 17.5 times trailing earnings. Why the discount, given the impressive growth potential? The knock against it is the coming winds of change the c-store space is due to face. Gas stations are going to be on their way out, and charging stations for EVs will be in. Some may view this as a headwind for Couche-Tard, but I view it as an opportunity. Just look at how c-stores are fairing in Norway, a market that's already embraced EVs and charging stations.

Couche-Tard: Brilliant company, but a misunderstood one

I think the best has yet to come for Couche-Tard. It's a brilliant company and one that's misunderstood. Yes, it's low-tech and boring, but this will change over the next 10 years, when the company gets ready for the EV boom. Add M&A potential into the equation and it's profitable growth companies like Couche-Tard that could power the market higher from here. Call it far-fetched, but it could be the EV charging play of the future, even in the face of other technological disruptions.

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