



Alimentation Couche-Tard: A Momentum Stock Worth Chasing

Description

Shares of **Alimentation Couche-Tard** ([TSX:ATD](#)) are breaking out to new highs, even amid increased volatility in the broader markets at the hands of more hawkish vibes from the U.S. Federal Reserve and last week's spooky inverted yield curve.

With more pundits and investors expecting a recession as soon as next year, it's not a mystery to see the recent relief rally begin to show signs of reversing. Indeed, the bears seem to be looking for yet another correction, as the value and growth rotations continue to make investors' stomachs churn.

ATD stock breaking out to new highs, but shares still cheap!

As a convenience retailer, Couche-Tard is a boring company with an earnings growth profile that's anything but! The company recently broke out past the \$57 per share mark after fluctuating wildly over the past year. With more investors paying extra attention to valuation, it should be no surprise to see shares of ATD surging higher, even in the face of what could be a recession!

Even after this week's strength, the stock trades at a modest 17.8 times trailing earnings multiple. With its sights set on new growth horizons and potential M&A opportunities, ATD stock seems like one of the breakout plays worth buying on recent strength. The company is fresh off an incredible earnings result, which was met with a mildly muted reaction in mid-March. Despite being less active on the acquisition front, the company boasts many traits that can help it thrive in this rate-induced pullback.

Real earnings growth is where it's at these days!

The company is generating ample amounts of cash flow, with a balance sheet that's healthy enough to make way for a big, elephant-sized deal. Only time will tell if Couche can make a massive deal to the magnitude of a Caltex or Carrefour. Given potential regulatory roadblocks involved with large-scale grocery deals on the international scene, one has to think that a better way to break into the space is with a domestic firm.

Undoubtedly, the electric vehicle age is coming, and major changes are coming to your local Circle K or Couche-Tard convenience store. With the company betting big on fresh food initiatives, I'd be unsurprised if the firm looks to buy a Canadian or U.S. grocery giant to gain immediate access to a grocer supply chain.

Unfortunately for Couche, valuations have become quite stretched in the grocery scene of late. In any case, there remain other areas of the market where Couche-Tard can focus its efforts. The c-store scene, where Couche has [thrived](#), may be the place to put money to work. Although Couche is doing fine growing organically, I think an acquisition could really take the company and its stock to the next level.

Couche-Tard: convenient growth at a reasonable price

I won't attempt to time when Couche will make its big [deal](#) announcement, but I do know that one is always around the corner. With such a powerful, predictable earnings growth trajectory and a dirt-cheap value multiple, I'm not against buying the c-store giant as it moves from stagnant value to more of a momentum play.

CATEGORY

1. Investing
2. Stocks for Beginners

TICKERS GLOBAL

1. TSX:ATD (Alimentation Couche-Tard Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. jguest
2. joefrenette

Category

1. Investing
2. Stocks for Beginners

Date

2025/07/23

Date Created

2022/04/10

Author

joefrenette

default watermark

default watermark