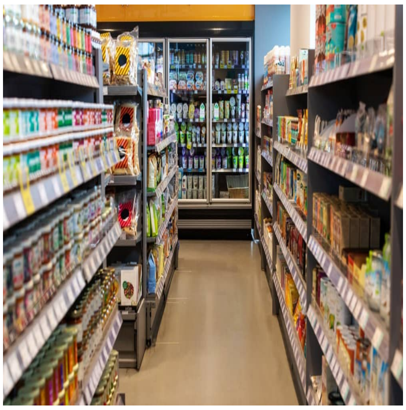

Alimentation Couche-Tard Stock: 5 Must-Know Facts!

Description

Alimentation Couche-Tard (TSX:ATD) is a wonderful business. One thing investors may not like about it is that it has a small yield, which is a turnoff for investors who prefer higher income now. On the flip side, the small yield could be a non-factor for long-term investors who target total returns. In fact, having a small yield implies most of the returns will come from price appreciation, which is tax deferred in non-registered accounts until the shares are sold.

Super-defensive earnings

I'm not sure why Alimentation Couche-Tard is categorized as a consumer cyclical stock. The **TSX** stock doesn't appear to be cyclical. Its earnings are actually highly defensive. They were either increasing or fairly stable during the last two recessions. Having defensive earnings make a defensive stock, which helps contribute to the fact that Couche-Tard stock is a Canadian Dividend Aristocrat.

Increasing dividends

Yes, Couche-Tard stock has increased its dividend annually for more than a decade! Its five-year dividend-growth rate is 19%, which is high compared to the average dividend-growth stock. First, the company experiences a relatively high growth rate. Second, its payout ratio is low. Its payout ratio is only about 11% of earnings.

Other than allocating cash flows to pay out growing dividends, Couche-Tard also retains a tonne of earnings to grow the business. For example, last year, it put about 24% of its cash flow into capital investments and left 45% as free cash flow. That's almost US$2.3 billion of free cash flow. Compare that to US$268.3 million of cash dividends paid.

Growth

The convenience store company has been growing by acquisition, which explains the incredible growth rate. Going forward, it will still enjoy growth from acquisitions. Management has also been good at controlling costs and growing the company's profits.

What do analysts think?

Recent comments from pundits have been nothing but positive! Around the time of these comments, Couche-Tard stock traded at $49 and change per share.

> "…Three to five years from now, [Couche-Tard] will be bigger, generate a ton of free cash, and either buy back stock or make an acquisition. The business is doing fine… Management is doing an excellent job transitioning to electric."
> *Barry Schwartz, chief investment officer and portfolio manager at Baskin Wealth Management*

> "I believe the company is looking towards the future — building convenience stores next to electric car charging stations — which is a positive sign. It's selling private label products and has helped grow profits. The increasing dividend is a positive sign. I own the company and will continue to hold."
> *David Driscoll, president and CEO at Liberty International Investment Management*

> "Couche-Tard is a well-run company with good management. It's the second-largest convenience store operator in the world. The current equity price represents good value."
> *Jason Del Vicario, portfolio manager at Hillside Wealth Management, iA Private Wealth*

Valuation

At $57.34 per share, Couche-Tard stock trades at about 18.4 times earnings. This is a reasonable valuation given its track record of growth and its acquisitive nature, which is sometimes viewed as higher risk because of the addition of integration risks, for example. Therefore, long-term investors who researched and like the business can consider buying or holding here.

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