



1 Top Stock That's Soaring as Markets Correct

Description

Alimentation Couche-Tard ([TSX:ATD](#)) stock didn't get the memo that the markets were supposed to be correcting (or crashing). Shares of ATD surged over 5% on Thursday, going against the grain, as the S&P 500 flirted with bear market territory (that's a 20% fall from peak to trough). Indeed, the convenience store kingpin is firing on all cylinders, with a healthy balance sheet and enough cash flow to weather the current storm that's been concentrated in tech stocks.

At writing, Couche-Tard stock is at \$57 and change per share, within a percentage point of hitting a new all-time high. With enough cash on hand to take advantage of opportunities, I'd argue that Couche-Tard has the means to sustain a rally past the \$60 level.

Couche-Tard M&A opportunities that could cause the stock to soar further

Currently, Couche-Tard is in the running to acquire Petro Canada stations and U.K.-based retailer EB Group. Indeed, a Petro Canada acquisition would be a remarkable addition for Couche-Tard, which has more than enough liquidity on the sidelines that make a splash in M&A.

In any case, investors have found comfort with Couche-Tard, which seems to be both a growth and value play. Shares currently trade at 17.2 times trailing earnings, which is not all that bad for a company that could double its net income in five years. Indeed, real, [profitable growth](#) is back in style, and that's likely why Couche could still have higher to run from here, even as broader markets sag lower.

What about an elephant-sized grocery deal?

Couche-Tard has enough cash and credit to make its largest acquisition to date. However, the management team is just way too disciplined to make an acquisition just because it has the funding to do so. Undoubtedly, there are many ways that Couche-Tard could use its enviable liquidity position. It

could either pursue smaller, bite-sized deals, or it could make a big splash in either the convenience store or grocery space.

Thus far, Couche-Tard has struggled to pull the trigger on massive deals. The pursuit of French grocery chain Carrefour was shot down earlier last year, as too was the massive Caltex Australia convenience store deal. It was noteworthy that the grocery acquisition was given a big thumbs down by investors. Though Couche-Tard could use a grocery store's supply chain for its fresh food rollout, investors were not fans, given the potential margin-eroding effect that could accompany such a grocery acquisition.

These days, it seems like Couche-Tard is more willing to stay inside its circle of competence within the convenience store arena. There are many deals on the global scene that could help the firm meet its long-term profitability goals. And with a potential recession in the cards, it's possible that Couche-Tard may have more opportunities to pay two quarters to get a dollar, so to speak.

The bottom line on Couche-Tard stock

Couche-Tard stock looks ready to move higher, leaving the rest of the TSX Index in the dust. With a dirt-cheap multiple and a promising [growth](#) plan, I think the consumer staple is more than worth hiding in as markets continue to roll over.

CATEGORY

1. Investing

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. joefrenette
2. kduncombe

Category

1. Investing

Date

2025/07/22

Date Created

2022/05/14

Author

joefrenette

default watermark

default watermark