



Now's the Time to Buy Couche-Tard (TSX:ATD) at New Highs

Description

Shares of **Alimentation Couche-Tard** ([TSX:ATD](#)) are flirting with new highs at around \$60 per share, following yet another big up day for the well-run convenience store operator. Investors are discovering that the earnings grower is not only a great value play; it's a cash-rich holding that should be worth a premium, as interest rates continue to rise.

Synergies are the name of the game

Couche-Tard has steadily created shareholder value through many years of prudent mergers and acquisitions (M&A). The firm, which has a reputation for growth via acquisitions, has also unlocked value through strategic dispositions. Undoubtedly, the management team knows where to find value in the industry. Further, it knows how to bring out the best in nearly every takeover it makes.

Over the years, the pace of M&A has slowed, but management's drive has not. The company has been busy adapting for the times with organic growth-driving initiatives, ranging from the Fresh Food, Now program to the beefing up of its private label and improvement in hot food options at select locations. Of course, there's also the rebrand of various stores across the globe to Circle K.

Though many Canadians loved the Mac's banner, I think that many are coming to love the Circle K's that have popped across the continent. Undoubtedly, fuel stations and convenience stores can be a wildly profitable business, given the firm actually makes a lot of money from the convenience factor. In essence, Couche-Tard saves its customers time, allowing it to charge more for its merchandise.

The big shift to electric won't faze Couche-Tard

As electric vehicles (EVs) curb demand for gas over the next decade and beyond, Couche-Tard needs to roll out charging stations. Further, it needs to give customers more of a reason to visit its stores. That means frictionless payments, better food offerings, and a wider selection of grocery items.

Couche-Tard realizes the secular decline of the gas-powered car, and it's ready to move onto new

frontiers. The company's Norwegian operations have been quite successful at catering to EV-driving consumers. Though North America will take a longer time to transition, I think Couche has more than enough time to pivot.

Looking ahead, Couche-Tard has billions in buying power to pursue its next deal. Petro-Canada gas stations are reportedly up for grabs (a \$9-\$11 billion valuation, according to pundits), and Couche could be in the running. If such a deal doesn't come to fruition, I'd look for the firm to go after a big-league grocer.

Sure, grocery margins are quite thin, and valuations aren't great after the recent run-up in grocery stocks. That said, procuring a grocery store's supply chain could propel Couche-Tard to the very top, as it looks to reinvent the convenience store.

Undoubtedly, a grocery acquisition will not come [cheap](#), and it could hurt margins over the medium term. In any case, I think it's an effort worth pursuing to enhance long-term value creation.

There are a lot of growth levers Couche-Tard can pull. It will be interesting to see what the firm does with its cash and credit hoard, as it continues to swell. I think the stock could be well on its way to \$70 per share.

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