



Alimentation Couche-Tard (TSX:ATD): 3 Reasons to Buy Now

Description

Convenience store giant **Alimentation Couche-Tard** ([TSX:ATD](#)) is an underrated growth stock. The stock has delivered a whopping total return of 24,640% since going public in 1999. However, the stock has been rangebound in recent years. It's up just 24% since early 2020.

The paltry [dividend yield](#) doesn't add much value either. However, there are three reasons to keep an eye on this stock.

Potential acquisition

Couche-Tard pays out just 12% of its earnings in dividends. The company retains the rest to fuel growth via acquisitions. In recent years, the team has been unable to close a major acquisition deal which is why cash has been piling up. At the moment, Couche-Tard has roughly \$2.14 billion in cash and cash equivalents on the book.

Eventually, the company needs to find a home for this cash hoard. The recent acquisition of the Wilsons Gas Stops chain in Atlantic Canada could be indicative of the company's expansion plans. The company could also potentially raise the dividends and send some of the excess cash back to shareholders.

Meanwhile, some of that excess cash is being used to repurchase ATD stock.

Buyback program

Couche-Tard's stock has been consistently overlooked by investors. It still trades at just 17.3 times earnings per share. This is why the management team renewed a buyback program earlier this year.

In 2022, Couche-Tard is expected to repurchase up to 79,703,614 ATD shares, representing 10% of the company's total outstanding float. The program is certainly more attractive than the dividend plan. This buyback is a vote of confidence from the management team that investors shouldn't overlook.

Economic rebound

The global economy is under duress. Canada faces a recession in the near future, which could mean less demand for travel and commuting across the country. That's a headwind for Couche-Tard's stores and gas stations.

However, recessions and [bear markets](#) don't last forever. Plus, they create new opportunities for companies with strong balance sheets and good management.

Couche-Tard is in an extremely strong financial position. This downturn could allow it to acquire more companies at discounted prices. Eventually, the sales and net income should rebound when the economy recovers.

Bottom line

Couche-Tard has managed to retain its market value despite the downturn in the rest of the economy. I believe the downturn could create new opportunities for the company to acquire at better valuations. Meanwhile, the management team is spending some of the excess cash flow to repurchase shares.

Couche-Tard stock could be a safe haven for investors for the foreseeable future. Over the past two years, the stock has delivered a compound annual growth rate (CAGR) of 11%. At this pace, the stock could double your investment in less than seven years.

Keep an eye on this overlooked and [undervalued growth](#) opportunity.

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