



Couche-Tard Stock Looks Like a Steal, Even at All-Time-High Prices

Description

Alimentation Couche-Tard ([TSX:ATD](#)) is a Canada-based global operator of convenience stores and gas stations. The company has approximately 15,000 stores in Canada, the U.S., Russia, China, Japan, and other nations. Couche-Tard also runs its corporate stores under affiliate brands such as Dairy Mart, 7-jours, Winks, and Daisy Mart.

Currently, Couche-Tard stock is trading around \$58, which is only a couple dollars below its all-time high. This is a stock that's been relatively immune to the selling pressure we've seen in the market. Much of this has to do with the company's relatively attractive valuation right now.

That said, there are other reasons I think Couche-Tard is a screaming buy right now. Let's dive in.

Couche-Tard stock benefits from strong growth

As per the company's first-quarter (Q1) earnings release, Couche-Tard reported some rather strong [growth](#). Revenues came in 37% higher on a year-over-year basis. Much of this has been attributed to the company's service revenue growth, which has continued to outperform relative to the company's gasoline sales.

Net income also grew by more than \$870 million this past quarter, driven by strong margins in the company's convenience store division. Overall, Couche-Tard's scale and business model are the secret sauce that investors seem to like. Via acquiring and upgrading stores under Couche-Tard's various banners, this is a company that has proven its ability to improve the return on investment of its underlying assets over time. In other words, Couche-Tard creates meaningful value, which flows directly to its top and bottom line.

Inflation bumps up Couche-Tard's "house label" sales

Inflation is something most investors are worried about right now. But for Couche-Tard, inflation has actually been shown to be a good thing.

This Canada-based convenience store conglomerate recently said that inflation in fuel and food prices is affecting customer behavior. However, the effect has been mostly positive. With consumer behaviour shifting toward private label brands, Couche-Tard has been able to capture more margin overall in this segment.

Additionally, as consumers look to save money on gas due to fuel price inflation, they are looking for value in items sold by Couche-Tard's private labels, resulting in double-digit growth in the company's merchandize division of late.

Bottom line

Couche-Tard stock is one of the few bright spots in this rather dreary market right now. Of course, many may be skeptical of this stock's rise, given the weak macro conditions facing the consumer. However, I would argue this outperformance is warranted right now, given the company's fundamental strength.

Over time, I think Couche-Tard has significant operating leverage and can maintain (and grow) its margins over time. Thus, for long-term investors, this is a stock worth considering.

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