

September 17, 2020

ATD.B (TSX) \$43.98
TARGET PRICE: \$52.00
ESTIMATED TOTAL RETURN: 18.9%

52-week range	\$47.49 - \$30.40
Shares Outstanding (mln)	1,114.2
Market Capitalization (CAD mln)	49,003

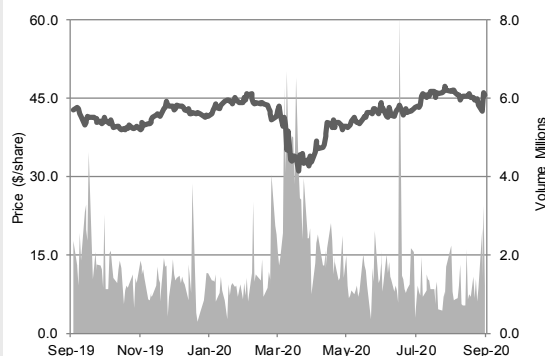
Fiscal Year End: April

	2020A	2021E	2022E
Sales (mln)	\$54,132.4	\$49,829.4	\$57,549.6
EBITDA (mln)	\$4,367.0	\$4,300.0	\$4,266.0
EPS (FD)	\$1.98	\$1.98	\$2.04
P/E	15.9x	15.8x	15.4x

Financial Data: As of Q1 F2021

Cash (mln)	\$3,269.8
Total Debt (mln)	\$9,178.0
Net Debt (mln)	\$5,908.2
Debt/Capital	34.7%
BVPS	\$9.96
Dividend per share (CAD)	\$0.29
Dividend Yield	0.7%

Financial statement data denoted in U.S. unless stated otherwise.



Source: Company Reports, Refinitiv, NBF

Vishal Shreedhar - (416) 869-7930
vishal.shreedhar@nbc.ca

Associates:

Ryan Li - (416) 869-6767
ryan.li@nbc.ca

Paul Hyung - (416) 507-9009
paul.hyung@nbc.ca

For required disclosures, please refer to the end of the document.

Stock Rating: Outperform

Industry Rating (Food & Staples Retailing): Overweight
(NBF Economics & Strategy Group)

Alimentation Couche-Tard

COMPANY PROFILE

Alimentation Couche-Tard is the leader in the Canadian c-store industry, the largest independent c-store operator in the U.S. (based on company-operated stores), and a leader in c-store / road transportation fuel retail in the Scandinavian countries. As of July 19, 2020, ATD's network included >9,200 c-stores in North America and >2,700 locations in Europe, primarily operating under the Circle K brand. Historically, ATD has grown both organically and via acquisitions.

INVESTMENT HIGHLIGHTS

Initiatives to drive organic growth; five-year aspirations on track (1) Management highlighted several initiatives to drive organic growth, including the Fresh Food Fast program, localized pricing and frictionless payment. The Fresh Food Fast program will be rolled out to 1,500 sites by October (currently at 875 sites). Dynamic pricing strategies will continue to be implemented to react quickly to local market factors/customer demand (currently at >2,400 sites). (2) Management indicated that its five-year plan of doubling the business remains on track; while the pandemic slowed certain initiatives (remodeling), other initiatives (innovation) were accelerated.

M&A remains in focus

During the conference call, management indicated that it is actively exploring several opportunities in Asia Pacific, which remains a strong area of focus. Management also suggested that Ampol's (formerly Caltex Australia) underwhelming recent results gave ATD a pause due to difficulties in understanding the underlying business amid the pandemic. With over \$10 bln in capacity for acquisitions, our view is that ATD will stay active on the M&A front in the near-to-medium-term; however, large deals may take longer to manifest than previously contemplated.

RISK FACTORS

The key risks to our outlook include volatility in gasoline margins, foreign exchange (Canadian dollar, European currencies), acquisition integration and regional economic conditions.

VALUATION

We value ATD at 19.0x our F22/23 EPS (adjusted for FX).

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