

Stock Highlight

BMO AM Dividend Equity (Architect)

July 10, 2024

PORTFOLIO MANAGERS

Lutz Zeitler, CFA, Managing Director & Portfolio Manager, Fundamental Canadian Equities

Philip Harrington, CFA, Director & Portfolio Manager, Fundamental Canadian Equities

COMMENTARY:

Alimentation Couche-Tard Inc (TSE: ATD)



Alimentation Couche-Tard Inc (TSE: ATD) is a name that many Canadians will be familiar with, as the operator of Circle K convenience stores. Opening in Quebec in the 1980s, it is one of the few Canadian companies that has grown to a truly global & diversified scale, and the stock has been well-regarded by the market. However, in recent weeks, the stock has pulled back after reaching all-time highs earlier this spring. Given this recent underperformance, we have chosen to increase our active weight in the position. We believe that the market is focusing excessively on short-term challenges in the consumer landscape and is not fully appreciating the recession-resilient nature of this channel. Unlike other areas in retail, this industry is stable and defensive in nature, and has grown in the last two recessions (3-4%, with ATD historically outperforming the industry),¹ providing a good moat around the business at a time when consumers are mindful of discretionary spending. Combined with its global reach, economies of scale, and data sharing, ATD operates a truly diversified business model. In addition to a strong operating culture, management has also demonstrated a history of excellent capital allocation decisions, keeping leverage controlled, maintaining high ROICs, and returning capital to shareholders via dividends & buybacks. The company also boasts a robust management team, which we wanted to spotlight, given the recent announcement of CEO Brian Hannasch's upcoming retirement. The company has a strong culture of succession planning, as incoming Alex Miller will only be the company's 3rd CEO, a transition that the team has been working on internally for the last few years. In fact, we had met Mr. Miller at last year's Investor Day, and had noted that he would make for a strong replacement candidate if such events were to occur. We believe that ATD is a high-quality compounder that should continue to offer strong upside potential over the years to come, amidst attractive M&A opportunities and a track record of operational excellence. ATD is an above average capital allocator with a strong focus on returning capital to shareholders as evidenced by the 25% 5-year dividend CAGR.

All logos and trademarks of other companies are the property of those respective companies.

¹ Source: Bloomberg, as of July 10, 2024

IMPORTANT DISCLAIMERS

FOR NESBITT BURNS ADVISOR USE ONLY. No portion of this communication may be reproduced or distributed to clients as it may not comply with Sales Communications requirements.

BMO Nesbitt Burns Inc. provides this commentary to clients for informational purposes only. The information contained herein is based on sources that we believe to be reliable, but is not guaranteed by us, may be incomplete or may change without notice. The comments included in this document are general in nature, and professional advice regarding an individual's particular position should be obtained.

® "Nesbitt Burns" and "Nesbitt Burns BluePrint Program" are registered trademarks of BMO Nesbitt Burns Inc.

Member-Canadian Investor Protection Fund.

BMO Global Asset Management is a brand name under which BMO Asset Management Inc. and BMO Investments Inc. operate.

Any statement that necessarily depends on future events may be a forward-looking statement. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Although such statements are based on assumptions that are believed to be reasonable, there can be no assurance that actual results will not differ materially from expectations. Investors are cautioned not to rely unduly on any forward-looking statements. In connection with any forward-looking statements, investors should carefully consider the areas of risk described in the most recent simplified prospectus.

The viewpoints expressed by the Portfolio Manager represents their assessment of the markets at the time of publication. Those views are subject to change without notice at any time.

The information provided herein does not constitute a solicitation of an offer to buy, or an offer to sell securities nor should the information be relied upon as investment advice. Past performance is no guarantee of future results. This communication is intended for informational purposes only.

The information contained herein is not, and should not be construed as, investment, tax or legal advice to any party. Investments should be evaluated relative to the individual's investment objectives and professional advice should be obtained with respect to any circumstance.

Commissions, management fees and expenses (if applicable) all may be associated with investments in mutual funds. Trailing commissions may be associated with investments in certain series of securities of mutual funds. Please read the fund facts, ETF facts or prospectus of the relevant mutual fund before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. Distributions are not guaranteed and are subject to change and/or elimination.

For a summary of the risks of an investment in the BMO Mutual Funds, please see the specific risks set out in the prospectus. ETF Series of the BMO Mutual Funds trade like stocks, fluctuate in market value and may trade at a discount to their net asset value, which may increase the risk of loss. Distributions are not guaranteed and are subject to change and/or elimination.

"BMO (M-bar roundel symbol)" is a registered trademark of Bank of Montreal, used under licence.