This Growth Stock Is a Coiled Spring That's Ready to Soar!

Description

When a growth stock loses its momentum, many investors rush to the exits in order to cash out their profits while they still can. There's nothing wrong with this. In fact, I'd encourage all investors to regularly trim their overrun positions on a regular basis in order to realize actual profits.

Dumping an entire position in a stock solely because of deteriorating short-term technicals, however, is not a wise move if you're a long-term investor, especially if a company's fundamentals haven't changed significantly. If the long-term thesis is still intact and stock's trading at a valuation that's still considered reasonable, then you probably shouldn't be inclined to make a rash decision such as offloading shares of one of your biggest winner just because a stock's rally has run out of steam.

While I do believe that technical analysis is a worthwhile supplement to fundamental analysis, long-term investors shouldn't let fewer short-term technical indicators influence their sell decisions. If you bought a stock as a trade, however, then there's no problem in closing a trade and collecting your winnings. Trading and long-term investing are two entirely different games, after all.

A long-term investor would relish the moment when their favourite stocks pull back, as these are typically opportune times to increase a position at a better price. In the grander scheme of things, such dips or weaknesses in a stock price is considered a wonderful buying opportunity if you do have a long-term winner on your hands.

If a growth stock isn't rallying, then it's correcting in one of two ways.

Shares will either fall in price or enter a prolonged period of consolidation. In both cases, if you're still bullish on a firm's long-term fundamentals, you should treat such moves as a chance to get a second, third, or fourth helping to more shares of a company that you believe in! And in the case of red-hot earnings growth stocks, you could possibly be rewarded over the short-term with a big bounce as shares pop like a coiled spring that's been compressed over a longer period.

Consider **Alimentation Couche-Tard Inc.** (TSX:ATD.B), a stock that has flat lined for three years. The convenience store roll-up had rallied through the roof for many years thanks to its reproducible strategy: acquire a competitor, drive synergies, repeat. But more recently, the firm had run into what seems like the perfect storm of problems.

Based on the stock's trajectory, it may seem like growth is gone, but that's simply not the case. Couche-Tard is very much a global company that has the option to acquire almost any competitor on the planet. The global c-store industry is still extremely fragmented and there are still decades worth of double-digit EPS growth left in the tank of Couche-Tard.

The owl has fallen out of the nest, but I do believe it will fly again once management puts its foot back on the acquisition pedal. Plagued by one-time issues and a more challenging macroeconomic environment, Couche-Tard has been a huge disappointment to many growth investors. And since the mere 0.7% dividend isn't nearly enough of an incentive to keep longer-term thinkers around, the stock has struggled to break out past the $67 level of resistance.

On first glance, growth appears dead, but that couldn't be further from the truth. The growth story and the longer-term fundamentals are still very much intact. With an high-ROE Asian expansion likely on the horizon, a potential takeover of **Casey's General Stores, Inc.** in the cards. With the possibility of selling marijuana across Canada, there are a plenty of longer-term catalysts that should entice investors to hang on in spite of the stock's lacklustre performance.

As consumer spending surges in conjunction with a red-hot U.S. economy, Couche-Tard may finally pop like a coiled spring that's been compressed for far too long as further synergies from the CST brands and holiday acquisitions are reflected in future quarters.

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