



2 Canadian Growth Stocks in Hibernation (1 to Buy and 1 to Sell)

Description

It's a tough pill to swallow when you buy a growth stock that's exhibited a considerable amount of momentum, only to see it stagnate and consolidate at a level for a prolonged period.

Momentum investing works well until it doesn't, and while it's typically a good idea to hang on to your shares with the hopes that shares will make up for lost time by taking off like a coiled spring down the road. A lot of the time, momentum may not return as prompt as investors may be expecting, and that's when the patience of an investor is put to the test.

Let's face it. Stagnated growth stocks are much harder to hold than a value stock that, on average, has a more generous dividend yield at any given point in time. With a lower dividend yield, there's less incentive to keep holding for years at a time, even if the long-term thesis remains sound in spite of a stock's medium-term performance.

Moreover, there could potentially be insidious factors that exist that you may not have identified prior to your decision to enter a stock. Thus, it pays dividends to dig deep into the fundamentals to determine whether or not it's time to throw in the towel in favour of a timelier opportunity.

Consider **Alimentation Couche-Tard** (TSX:ATD.B) and **Sleep Country Canada Holdings** ([TSX:ZZZ](#)), two iconic Canadian retailers that have gone to sleep over the past two years after enjoying their respective rallies.

Couche-Tard

Couche-Tard is a stock I've held over the last few years, and it's been hard (and unrewarding) since shares are stuck in purgatory, struggling to break out past the long-term level of resistance of \$68. While the company has hiked its dividend, the yield remains underwhelming, to say the least, at 0.67% at the time of writing.

Moreover, it's pretty frustrating that the stock always finds a way back into limbo, even after clocking in an applause-worthy quarterly beat which saw [profits surge 42%](#) with U.S. fuel margins bouncing back from a seemingly horrific start to the year, which I deemed was the "perfect storm" of negative one-time

events.

It's a vicious cycle. There's little to no incentive for investors to hang on, and then there's a sudden slowdown in the pace of acquisitions after Couche-Tard's massive CST Brands takeover. While it appears management is taking a break from M&A activities to pay back debt, investors ought to realize that the CST Brands is a heck of a lot harder to digest than smaller acquisitions it made in the past.

There are still ample synergies to be realized from the CST Brands and Holiday acquisitions, despite already clocking in an impressive \$153 million worth of synergies as of the latest quarter, besting management's original guidance as far as accretive synergies are concerned. As such, investors should expect more solid quarters ahead, as synergies drive double-digit EPS growth numbers over the medium term.

Add the fact that management may begin to go back on its acquisition spree again, as founder Alain Bouchard noted significant opportunities in the c-store space within Asia, a high-ROE market that could reignite momentum in Couche-Tard stock at some point after CST Brands and Holiday integrations are finished.

Sleep Country

Here's a company that's more than just a brick-and-mortar mattress company. It's a sleep retailer with a robust e-commerce platform and a line of deliverable mattresses (and other sleep products) in its lineup.

The company has enjoyed considerable same-store sales growth thanks to its accessories like pillows, sheets, toppers and the like, but mattress growth is hard to keep up consistently over the long haul, especially when you consider the fact that they're long-lived assets that tend only to enjoy meaningful growth in strong economies when consumer spending is at a high.

As such, with no real catalyst on the horizon, I suspect Sleep Country could [remain dormant](#) for a lot longer in spite of its Bloom line of mattress-in-a-box products, which is a direct response to up-and-coming digital mattress retailers.

Foolish takeaway

I think Couche-Tard is ripe to pop, whereas Sleep Country stock will continue to get some Z's.

Stay hungry. Stay Foolish.

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Date

2025/08/14

Date Created

2018/08/03

Author

joefrenette

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