Canadian Investors: 1 Unloved Growth Stock That Needs a Correction to the Upside

Description

Corrections can work both ways. As may know, Mr. Market isn't always spot on with his pricing of stocks, especially in this pandemic-plagued environment where things couldn't be more uncertain. While the stock market, as a whole, may a tad on the frothy side, with the **S&P 500** blasting past the full-year price (3,800) target of many big U.S. banks, I wouldn't look to sit on the sidelines if you're overweight cash.

There's no telling when the next market correction will hit. And there's also no telling if the stock market will just flatline for most of the year, giving dip buyers nothing to bite on.

We're in a stock picker's market right now, where screaming bargains and mixed in with wildly-expensive "mania" stocks. As a self-guided investor, you can scoop up the deals and steer clear of the danger zones and avoid irrecoverable losses if it turns out we are due for a 2000-style tech-driven crash.

In the lead-up to 2000, it's those investors who neglected value that got punished most severely. If you stuck with good, old-fashioned value stocks and resisted the temptation to place sizeable bets on momentum stocks that promised quick riches, your portfolio likely didn't take too hard of an uppercut to the chin, as most others lost their shirts speculating on hottest plays backed by nothing more than a compelling story.

We Foolish investors love promising stories. But we insist on sound fundamentals and attractive valuations to minimize the chances that we'll lose money if the "sexy" trade goes sour in a hurry.

Even in today's frothy market, growth at a discount still exists!

You don't need to run the risk of losing 50-90% of your invested principal to punch your ticket to above-average growth. In today's market, growth is necessary to improve one's chances of achieving excess risk-adjusted returns over the next decade.

Many gurus, including the likes of Charlie Munger, think that the next decade will be less prosperous on the returns front than the last decade. Indeed, the environment that's been setup should cause one to curb their return expectations moving forward.

While most others up their risk appetite to improve their returns potential, it's a far better idea to look at the stocks at the intersection between growth and value. You see, growth and value stocks don't need to be mutually exclusive. They can be included in the same package with names such as **Alimentation Couche-Tard** (TSX:ATD.B), a misunderstood, unloved convenience retailer that's sold-off viciously in recent weeks over a communication mishap over a deal that fell through in a hurry.

Couche-Tard shocked its shareholders when it pursued French grocer Carrefour. Through Canadian investors' eyes, it seemed as though Couche was navigating outside of its circle of competence. Convenience retail is a higher-margin business that seems to have minimal overlap with hypermarkets that tend to command razor-thin margins.

While I understood why Couche wanted in on the grocery scene, I was not a fan of how management proceeded with the deal. I thought the communication to shareholders was off and had the strategic pivot been better explained to shareholders; the stock would not have collapsed on the initial news of a Couche-Carrefour deal that's since fallen through.

The deal isn't happening (for now), yet Couche stock has still yet to recover. Why? They don't appreciate the deal's surprising nature, nor do they understand why they're targeting a foreign grocer. Many sell-side analysts are also perplexed, and I think that's opened up a tremendous long-term buying opportunity for contrarians who are willing to grasp an understanding of where Couche is headed with its latest pivot.

In prior pieces, I praised Couche's decision for getting in on the grocery scene, comparing a Couche-grocer deal to that of **Amazon**'s acquisition of Whole Foods. Advantages that can only be had with grocers are key to the future success of convenience retail players like Couche. Couche stock should be soaring, not tanking, as its intent to pursue a grocer, I believe, could create synergies over the long haul.

Couche stock trades at 0.7 times sales and is a must-buy, as the firm looks to double its net income in five years.

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