Forget Shopify (TSX:SHOP): This Growth Stock Is a Far Better Value Right Now

Description

Shopify (TSX:SHOP)(NYSE:SHOP) is an iconic e-commerce sensation that's likely still in the early chapters of its growth story. This pandemic has propelled the high flyer to new heights. While the magnitude of the pandemic tailwinds are powerful and difficult to fathom, it's in the best interest of investors to wait for shares to take a breather before punching your ticket to the red-hot Shopify show.

With shares trading at around 60 times sales, the valuation is difficult to justify for those who don't want to run the risk of overpaying for potentially years' worth of growth upfront. That said, Shopify has continued to defy the laws of gravity with its blowout quarters, a trend that could easily propel the stock above the $2,000 mark.

Regardless, momentum chasing isn't every investor's cup of tea.

Growth at a reasonable price

So, if you're a more value-conscious growth investor, consider **Alimentation Couche-Tard** (TSX:ATD.B), a convenience store consolidator that trades like a stalwart despite having many years worth of double-digit top- and bottom-line growth still left in the tank. Sure, a convenience store operator that grows primarily via acquisitions isn't nearly as sexy as the rapidly-rising e-commerce sensation that is Shopify.

The business of convenience retail is quite dull, and Couche-Tard's growth numbers don't compare to the magnitude of growth that Shopify is capable of. However, when you weigh the price you'll pay for the growth you'll get, Couche-Tard, I believe, outshines Shopify as an investment at its depressed valuations.

Like Shopify, Couche-Tard is resilient in the face of this pandemic. While pandemic tailwinds aren't nearly as pronounced as the likes of a Shopify, one has to consider the value creation that Couche is capable of once it finally pulls the trigger on an elephant-sized deal amid this crisis.

There are opportunities galore in the global c-store scene, which remains highly fragmented. Couche is itching to grow in the Australasian market. Still, it's not willing to run the risk of overpaying, especially in the middle of an unprecedented crisis that's caused many retailers to fall under a great deal of financial distress.

A blowout quarter for Couche sent shares surging nearly 8% in a day

At the time of writing, Couche-Tard trades at 0.6 times sales, which is around 100x cheaper on a price-to-sales basis than the 60 times sales multiple on white-hot shares of Shopify. Couche-Tard is a proven double-digit earnings grower, and while there are fewer catalysts with the boring play, I'd argue that Couche is capable of upside surprises just like Shopify, given analyst expectations remain relatively muted.

When you consider Couche-Tard may have a front-row seat to the budding cannabis retail market with its partnership and vested interest in **Fire & Flower Holdings**, I'd say it'd be foolish (that's a lower-case "f") to think that Couche-Tard has become a stalwart just because it hasn't pulled the trigger on a deal of late.

For Q1 fiscal 2021, Couche-Tard crushed analyst expectations, clocking in EPS of $0.71, blowing away estimate calling for $0.40 EPS. Management noted its five-year growth plan is "on track" despite COVID-19 disruptions.

Foolish takeaway

Within five years, Couche-Tard could easily double its net income, especially if it bags a bargain amid this crisis. For such earnings growth, I find the 0.6 times sales multiple to be nonsensical and think the stock could hit $60 by year-end as a part of a broader growth-to-value rotation.

Shopify, on the other hand, would likely suffer a reversal if such a reversal were to happen. So, if you seek growth, go with the boring, out-of-favour Couche-Tard, which reeks of value compared to Shopify, which is one of the most expensive stocks on the market today.

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Author
joefrenette