



## 1 Canadian Growth Play I'd Buy Over Shopify Stock

### Description

**Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) stock finds itself in a multi-month period of consolidation at around \$1,800-\$1,900. Whenever the Canadian e-commerce stock flatlines, buying it before its [breakout](#) has historically been a very wise move. In technical analysis, the longer the flatline, the higher the pop at the end of the day.

While I'm a huge [fan](#) of Shopify and its potential growth levers heading into what could be another year of solid gains, I'd much rather wait for SHOP stock to correct. Now, shares of Shopify don't need to plunge drastically. Rather, they could continue to consolidate for a prolonged period of time, giving revenues a chance to catch up. While I'm not against holding or even buying the name, as shares look to grow into their premium multiple, I'd much rather wait for the risk/reward scenario to improve before seriously considering loading up on the name.

For now, I'm more inclined to be neutral on Shopify, with the stock now trading at slightly north of 46 times sales. Indeed, if a correction is on the way, as many market strategists expect going into October, a better entry point may very well be in the cards for those who maintain patience. Still, a market correction is no guarantee, so if you're keen on SHOP stock, I'm not against buying into a partial position here.

## Shopify looks great, but its valuation leaves a lot to be desired

The company has catalysts and a lot going for it. Whether we're talking about partnerships, new growth verticals, or more the same, Shopify stock's default trajectory seems to be up. And for that reason, I wouldn't dare bet against the company, regardless of how "steep" the price-to-sales (P/S) multiple becomes or how many bears look to target the name. Indeed, many sell-side analysts have chased SHOP stock higher over the years, raising the bar after quarterly blowout results. While I expect solid performance over the next 18 months, I think there are other opportunities in today's market that can offer a shot at even greater gains.

Shopify isn't a small company anymore. Quadrupling up would put it in the \$1 trillion market cap club.

Is it possible? Sure, but it's less likely over a brief timespan. As such, those seeking growthier opportunities can do so at a more reasonable price with a mid-cap name like **Kinaxis** ([TSX:KXS](#)).

## Could Kinaxis outperform SHOP stock over the next 18 months?

Kinaxis is one of those quality Canadian Software-as-a-Service companies that looks cheap relative to its peers in the space. The supply-chain management software developer has seen shares fluctuate wildly over the past year and a half. Undoubtedly, the pandemic is showing no signs of slowing down yet, with the Delta variant continuing to cause outbreaks across the globe.

As a result, supply chain disruptions, like those faced by **Nike** due to its reliance on Vietnam, are to be expected over the next year and beyond. Continued disruptions could bode very well for the demand for innovative solutions like those offered by Kinaxis.

With KXS stock trading at 18.2 times sales, the name is far cheaper than Shopify stock. And it arguably has more room to run, as it looks to break the \$200 mark.

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