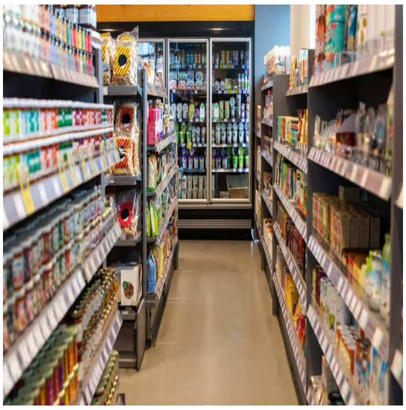

Forget Shopify! Couche-Tard Stock Is My Growth Pick for Summer

Description

Shopify (TSX:SHOP)(NYSE:SHOP) stock has been on a horrific free fall of late, with shares recently falling below the $300-per-share level for first time in a while. For Canadian dip buyers, Shopify stock has been nothing short of a value trap over the past few months. Though the e-commerce stud has wonderful technologies and perhaps a front-row seat to the metaverse shopping malls of tomorrow, investors do not want to pay up as much for uncertain growth as they did a year ago.

Does that mean Shopify lost its ability to innovate?

Definitely not. I'd argue Shopify has more intriguing tech behind the scenes than it did when it peaked. The company isn't ready to pull its foot off the gas just because the market wants to see higher margins rather than scorching sales growth.

CEO Tobias Lütke has a tough job on his hands. Yes, he's still focused on innovation. However, he seems frustrated by the damage done to his shares. At writing, Shopify is down around 82% from its all-time high. That's sure to scare off many Canadian investors for quite a while. Undoubtedly, a drop over 80% is far too much pain for many prudent investors to handle.

Shopify: Still innovating, but investors don't seem to care as much anymore

Though Shopify stock looks cheap, with innovative capabilities that have not dissipated, it's hard to value the firm. The company is focusing on growth, as it's still yet to capture the lion's share of its corner of the e-commerce market. A recession and other headwinds make it even harder to value the firm, as multiple compression could happen in a consumer-facing recession.

In theory, Shopify stock could get hammered another 50% and still not be considered cheap by someof the more value-conscious folks. Though I love management and their talents, I wouldn't catch thefalling knife quite yet. Instead, I'd much rather buy SHOP stock on the way up and have to pay a higherprice than keep bottom-fishing and be punished immediately.

Alimentation Couche-Tard: Predictability when it matters most

Instead of chasing growth and innovation at uncertain prices, I'd look to profitable firms that you can value with certainty. **Alimentation Couche-Tard** (TSX:ATD) is a convenience retailer that's quite boring compared to Shopify. However, it's poised to become a tech firm that just so happens to be in retail. Now, Couche isn't going the route of e-commerce just yet. With the roll-out of EV charging stations and a focus on convenience, I wouldn't be surprised to see Couche be a big beneficiary of emerging trends over the next decade.

First, Couche is evolving with more private-label merchandise that will gradually take the place of fuel sales over time. Further, it's experimenting with frictionless payments, and, in due time, I think the firm could benefit significantly from autonomous deliveries.

That's looking over a decade out. However, Couche is a lot more innovative than meets the eye. For now, the consumer staple trades at 16.4 times trailing earnings in the face of a recession. As the consumer staple firm navigates through a downturn, I'd argue that the predictable earnings grower will outperform Shopify over the next two years. It's better positioned to deal with the reality of higher rates and will be less sensitive to a drastic slowdown in economic growth.

CATEGORY

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