2 Growth Stocks I'd Buy Over Shopify

Description

Shopify (TSX:SHOP)(NYSE:SHOP) stock has been tough to own, with Tobias Lütke pulling out all the stops to put an end to the tumble. Though Lütke is an incredible founder, who's more than capable of bringing the e-commerce platform back to the top, it's ultimately rates and the trajectory of the economy that will dictate when SHOP stock has permission to rally higher again.

The best days of Shopify have come and gone. These days, the economic hailstorm and higher rates are causing investors to be jittery. With a perplexing share split (I'm still unsure as to why one would split a stock going for around $400 per share) failing to draw investors back in, sights are set on coming quarters.

Rates, recession, and rivals are three major reasons I wouldn't back up the truck on those battered shares of Shopify just yet. Yes, a 80% dip is excessive, but it's really difficult to evaluate the firm, given the magnitude of headwinds on the horizon. If 2020 and 2021 were the perfect storm of tailwinds, 2022 seems to be the perfect storm of headwinds.

Given troubling trends in the tech space, I'd much rather own low-cost growth that don't have so many headwinds clouding the long-term story.

Currently, I'm a fan of **Alimentation Couche-Tard** (TSX:ATD) and **Constellation Software** (TSX:CSU) at these levels.

Alimentation Couche-Tard

Couche-Tard had a pretty big up day on Thursday, surging over 4% and recovering most of the ground following a mixed bag of earnings results. Though Couche-Tard has been less active on the M&A front, I do think the firm's ability to pull the trigger on a massive deal or series of smaller deals is a potential catalyst that could kick in once the world falls into an economic downturn in 2023.

Couche-Tard is arguably the best-run convenience retailer on the planet. With legendary founders still on the board and a disciplined, value-creative approach to M&A, I see Couche as a firm that could snag a few bargains over the coming 18 months, as economic headwinds weigh heavily.

Don't discount management's abilities. They've been taking steps to propel earnings gradually over time. At just 16.1 times trailing earnings, those seeking reliable earnings growth at a good price should look to back up the truck. Sure, Shopify has a more attractive growth profile, but in this environment, Couche seems like a far safer bet.

Constellation Software

Constellation Software is another steady growth stock that's not down nearly as much as Shopify. At 17% off its all-time high, the diversified software company that also creates value via strategic M&A opportunities seems like an excellent deal.

Indeed, Constellation has many intriguing cash cow businesses under its umbrella. But the main attraction is management and their ability to generate TSX-beating market returns over time. The stock has more than tripled over the past year, thanks to the firm's ability to make the right moves at the right time.

Though shares of CSU don't seem to be as good a deal as Shopify, given it hasn't fallen nearly as much. I'd argue that Constellation may be more undervalued, given the magnitude of headwinds on the horizon.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:SHOP (Shopify Inc.)
2. TSX:ATD (Alimentation Couche-Tard Inc.)
3. TSX:CSU (Constellation Software Inc.)
4. TSX:SHOP (Shopify Inc.)

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Date
2025/08/28
Date Created
2022/07/08
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