Forget Shopify Stock: Buy This Value Stock After Strong Earnings

Description

Shopify (TSX:SHOP)(NYSE:SHOP) has had quite the week. Shopify stock fell by 15% on Tuesday as the company announced it would be letting go of about 10% of its staff. This came the day before earnings were released, where the company announced a second-quarter loss. So, is there perhaps a better option?

What happened to Shopify stock?

The day after the chief executive officer of Shopify stock stated he made a mistake in believing e-commerce growth was here to stay, the company announced poor earnings. While e-commerce may be around for the foreseeable future, it seems the company believed growth would be far faster than actuality.

While global spending for its merchants is higher than 2018, which is before the pandemic, it's still lower than planned. This resulted in a US$1.2 billion loss for the second quarter. That's compared to a profit of US$879.1 million the year before. Shares of Shopify stock opened up 5% in early morning trading after the announcement, however.

This could be due to Shopify stock announcing moves were already underway to turn things around. This involved slowing hiring already, and, of course, the staff cuts. Or it could simply be due to the net loss of US$38.5 million, with the remainder due mainly to investments. Whatever the reason, the stock started to rebound. But does that mean you should buy it?

That depends

Honestly, Shopify stock is a great buy if you're considering holding the stock long term. However, if you need your cash sooner, I get that too. That is why I would instead consider a value stock like **Loblaw** (TSX:L).

Loblaw also reported its earnings on the same day as Shopify stock, and it was far more positive. The rise in inflation was clearly good for the company, but it seems it continues to also see growth in its customer base thanks to several key reasons.

Revenue climbed 2.9% year over year for the value stock, with adjusted EBITDA up 9.3% to $1.5 billion. Adjusted net earnings climbed 22% to $566 million as well, with diluted net earnings per share up 25.2%. The company also managed to acquire Lifemark Health Group and created a partnership with DoorDash for rapid delivery. And while e-commerce sales have slowed, in-store sales are up.

Yet shares of the company dropped by 3% at the announcement, which could be due to Canadians taking out growth. Shares of the value stock are up 15% year to date — that's compared to Shopify stock, which is down by 76%.

What's your goal?

That's what it all comes down to: your goal. To me, Shopify stock could be a strong growth stock at these levels. But it definitely will have some hiccoughs along the way. Still, a decade from now you'll likely be happy you picked it up.

Don't have a decade? Then Loblaw is a far safer choice. The value stock trades at a fair 20.14 times earnings and offers a 1.36% dividend yield. It also provides you with some defence during the market correction. The choice is up to you.

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