



This 1 Tech Stock Is My Hands-Down Choice Over Shopify

Description

The **S&P/TSX Composite Index** rose above 20,500 to start December 2022. [Technology stocks](#) collectively gained 2.9% on the first trading day of the month to help Canada's primary stock market close to its highest level in almost six months. Unfortunately, the technology sector will still end this year in [negative territory](#).

On a year-to-date basis, technology (-32.74%) is the second-worst-performing sector after healthcare (-43.67%). Still, many believe that tech stocks will rebound in 2023 when the rate-hike cycle ends.

However, if you want to take a position today, I don't think **Shopify** ([TSX:SHOP](#)) is a good prospect. I'd pick **Converge Technology Solutions** ([TSX:CTS](#)) over the e-commerce platform. Read on to know why the small-cap tech stock is my hands-down choice.

Stock performance comparison

It's true that Shopify is a TSX30 winner in the three of the four years of the flagship program from growth stocks. The \$70.42 billion commerce company ranked second, first, and second in 2019, 2020, and 2021, respectively. However, in the 2022 edition, Shopify is out of the List. At its current share price of \$55.46, investors are losing 68.16% year to date.

While Converge isn't outperforming either with its 55.01% year-to-date loss, it has better returns in 3.01 years. At only \$4.89 per share, the gain is 336.61%, representing a compound annual growth rate (CAGR) of 63.30%. Shopify's record in the same period is +13.01% (4.15% CAGR).

Best growth model

Converge Technologies is a software-enabled IT & Cloud Solutions provider. The \$1.06 billion company delivers advanced analytics, application modernization, cloud, cybersecurity, and digital infrastructure, among others to clients across various industries.

In the third quarter (Q3) of 2022, total revenue jumped 64.2% to \$603.2 million versus Q3 2021. Its chief executive officer Shaun Maine said, "We continue to report record financial results, and I am incredibly proud that Converge grew by over 60% year-over-year across revenue, gross profit, and adjusted EBITDA [earnings before interest, taxes, depreciation, and amortization]."

After three quarters in 2022, total revenue grew 72.4% year over year to \$1.41 billion. Net income in Q3 2022 soared 296.6% to \$18.22 million. On a year-to-date basis, profit growth from last year was 196.1% to \$27.5 million. According to Maine, Converge has the best growth model in the IT Services industry today.

Doubtful recovery

Shopify reported record-setting Black Friday Cyber Monday weekend sales for 2022. Total sales from independent businesses worldwide increased 19% to US\$7.5 billion compared to the same weekend in 2021. The stock popped 9.5% to \$55.26 on November 30, 2022, but it won't be enough to wipe out the losses.

Because of mounting losses, Shopify's recovery remains in doubt. In Q3 2022 (quarter ended September 30, 2022), the net loss reached US\$158.4 million compared to the US\$1.1 billion net income in Q3 2021. The operating loss expanded 8,324.4% to US\$345.4 million from a year ago.

Key takeaways

Converge has a better chance of a strong comeback in 2023. Revenue growth has been consistent because of its market leadership position. However, Shopify will continue to suffer due to the negative impact of higher inflation and rising interest rates on the purchasing power of consumers.

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2. Tech Stocks

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