



Better Buy: Shopify or Algonquin Stock?

Description

It seems like this bear market is never going to end, as the decline looks to extend into the new year. After so many failed bear market bounces, it's hard to remember what it was like for stocks to go up. Dips haven't been nearly as buyable as they used to be.

The good news is that [bear markets](#) don't last forever, even though many of us have been conditioned to expect nothing but a bitter taste after hitting the buy button on stocks or bonds. A bull market is never as far away as we think, though. Whenever the bull does land, it tends to hit the ground running, leaving the bear market in the dust.

Now, 2023 isn't guaranteed to see the birth of a new bull. However, I view the bear as getting a tad long in the tooth, as investors continue to ditch stocks over the looming recession. Indeed, quarterly earnings will dictate where stocks go from here. The real question is if firms can surpass expectations, given the macro headwinds at hand.

In this piece, we'll look at two of the bigger losers of 2022. **Shopify** ([TSX:SHOP](#)) and **Algonquin Power & Utilities** ([TSX:AQN](#)) went from portfolio must-haves to falling knives with investor doubts about their future growth profiles and fundamentals.

Indeed, the valuation reset has been vicious with both names. Few people saw Shopify or Algonquin stock crashing more than 50%. Though, I did [warn](#) of the severe overvaluation in shares of Shopify before the stock fell off a cliff, the Algonquin crash caught me (and so many others) by surprise.

In any case, let's weigh in on the two battered stocks to see if any are worth a buy right here for the next year and beyond.

Shopify stock

Shopify stock seems to have bottomed out a while ago, but with tech and growth falling under pressure yet again, I'd say it's too early to conclude that new lows can't be reached in the first quarter of next year. The stock faces a profound amount of pressure, as investors reconsider paying premium multiple

for forward-thinking growth.

When it comes to Shopify, the company is all about growth over the long run. Investors want to see big profit, and they want it now. Amid the more than 80% slump, though, I think SHOP stock is an intriguing option for those who are willing to handle the vicious moves. Sharp moves in either direction are expected, as the company looks to integrate prior acquisitions while improving upon its impressive e-commerce platform.

Even after such a vicious fall, I'm unsure if Shopify stock is "[cheap](#)" in a traditional sense at a 8.3 times price-to-sales ratio. For the calibre of growth you get, I'd argue that's a fair multiple to pay.

Algonquin shares

Algonquin is another confusing story that caught many investors off guard. There's now doubt about the sustainability of the dividend, as the firm pulls back on its initial growth plans. Many analysts covering the name have downgraded shares after the fact. Still, I think the stock is getting too cheap for its own good, now that income chasers have likely reconsidered the name amid its swelling yield.

The 11% dividend yield seems too good to be true. And it probably is. As such, I'd not buy Algonquin for the high payout. Rather, I'd look to buy the name for long-term gains.

Shares are too cheap at 1.7 times price to sales. Yes, Algonquin has felt the heat of higher rates. But it'll adapt, and the new valuation seems more than reasonable, in my opinion. Despite slowed growth, Algonquin is still a compelling renewable energy company with prized utility assets.

Sure, AQN stock is tougher to value. But I think the new multiple tilts the tables in the favour of dip-buyers.

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I prefer AQN stock here, as it's a steadier firm that faces a somewhat less cloudy future. Shopify stock remains at the mercy of moves made by high-growth tech. That's not a place I want to be as rates continue soaring.

Regardless, I think both 2022 losers have a stage set for a far better 2023.

CATEGORY

1. Investing

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2. TSX:SHOP (Shopify Inc.)

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joefrenette

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