global investor by Jean Pierre Verster

So you want to buy shares in Canada, eh?

Canada celebrated its 156th birthday last month. While known for maple syrup, expansive forests, police on horseback and ice hockey, the country also boasts respect for property rights, protection of individual freedoms, and a well-functioning mixed economic system, with elements of both capitalism and state involvement. Canada is the eighth-largest economy in the world, and the Toronto Stock Exchange (TSX) is the ninth-largest stock exchange globally by market capitalisation. Let's have a look at some investment opportunities among the 1,500-plus companies listed there:

Shopify

Shopify is an e-commerce platform provider for independent businesses. If all its clients' web stores were linked to a single site, Shopify would be the fourth-largest e-commerce site globally by gross merchandise value (after Taobao, Tmall and Amazon). A prime beneficiary of the pandemic, when scores of people were at home and tried launching their own web stores, Shopify's share price rose more than five times from March 2020 to November 2021, but it is now trading at its February 2020 level (down 66% from its peak).

It is a relatively young business, launched in 2006 by CEO Tobi Lütke, but has an imposing market cap of $74bn (the third-largest on the TSX). The valuation is precarious though, since Shopify is still loss-making on an accounting basis, though the business is cash flow positive. It might be best not to click the buy button on this one yet.

Alimentation Couche-Tard

Founded in 1980 by chair Alain Bouchard as a single convenience store in Laval, Québec, the company takes its name from people who visit petrol station convenience stores late at night (*couche-tard* is night owl in French). Today, Alimentation Couche-Tard is a global leader in fuel and convenience retail, selling more than 140-million litres of fuel per day across about 15,000 sites in 24 countries. Half of gross profit is generated from fuel sales, and the other half from sales generated by the adjacent 24-hour convenience stores.

Of store products sold, 80% are consumed within one hour of purchase – it's good business selling to hungry, thirsty and tired patrons taking a comfort break.

Some market participants are concerned that the rapid adoption of electric cars threatens the traditional fuel and convenience retail business model, but as long as people want to stretch their legs and grab a bite to eat on a road trip or want to buy a pack of cigarettes in the dead of night, this night owl will keep flying. At a p:e of about 16 times, there is value in this $50bn retail juggernaut.

Constellation Software

This highly acquisitive group is headed by former venture capitalist and media-shy founder Mark Leonard. He could be dubbed the Warren Buffett of the software industry, due to his capital allocation prowess and long-term mindset. Those who have seen a photo of him might rather call him the Gandalf of the software industry. Constellation focuses on niche and critical software solutions. This makes for sticky customers and significant pricing power.

Having made hundreds of acquisitions since it was founded in 1995 (including previous JSE-listed darling Adapt IT last year), the group now has a market cap of $43bn, making it a bit unwieldy. True to form for a shrewd capital allocator, Leonard has started unbundling some divisions – substantial software groups in their own right – as separately listed companies. Yet while Constellation might give birth to a few new software stars, its hefty normalised p:e of about 40 times keeps us in a galaxy far away.

Teck Resources

It would not be right to discuss Canadian stocks without mentioning a resources company. Canada has a thriving mining sector and Teck Resources is the largest diversified mining company listed in Toronto, with a market cap of about $22bn. It mainly produces copper, zinc and coking coal. The company is being courted by Glencore, which first proposed an all-share merger with Teck, but after being rebuffed offered to buy Teck's coal business outright for cash. Other suitors have also recently made proposals, and a response by Teck can be expected soon.

Any successful proposal would need to be supported by 85-year-old magnate Norman Keevil, who controls more than a third of Teck's voting rights via a dual share class structure which will expire in 2029. With an attractive portfolio of large-scale and low-cost mining projects in relatively stable political jurisdictions around the world, Teck Resources shares seem to be a decent pick at a normalised p:e of about 10 times, and especially so if Glencore shovels off with Teck's coal business at a premium price. x

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