



These 2 Companies Are the Best Contrarian Value Plays of 2018!

Description

With a retail apocalypse apparently on the horizon, nearly any company selling a product in a brick-and-mortar environment is, unfairly or not, being painted with a very wide brush as a potential zombie. With retail continuing to be affected by massive changes originating from forces that have continued to disrupt and change the economics of a number of sectors reliant on in-person transactions, the slow and inevitable shift to e-commerce is something many investors expect will destroy the retail industry altogether.

While I agree that disruption is coming and we are living in a truly remarkable time for retail transformation, I also believe that a “one size fits all” mentality with respect to Canadian retailers is both unfair and unrealistic in specific insulated niche retail segments.

I’m going to discuss two of my top picks to not only survive the retail/e-commerce apocalypse, but thrive in an e-commerce-oriented world.

Sleep Country

Sleep Country Canada Holdings Inc. ([TSX:ZZZ](#)) is one Canadian retailer which has taken an interesting route to tackling the e-commerce revolution. While it may seem odd to consider [e-commerce in the mattress industry](#) (a pretty big box would be required to ship this merchandise), Sleep Country is not resting on its laurels and has instead embraced a new “ship and try” program, which will allow consumers to try a mattress for a specific amount of time and be refunded should the mattress not be to the customer’s liking.

Sleep Country has performed very well in 2017, returning approximately 15% to investors who’ve bought into the company’s long-term vision and underlying fundamentals. While the company’s valuation will continue to not be anywhere close to deep-value levels, given Sleep Country’s dominant market position and innovative team, I would expect continued margin expansion to drive a premium valuation in 2018.

Canadian Tire

Another company operating in the bulky, heavy, difficult-to-ship segment which should be insulated from outside e-commerce threats is **Canadian Tire Corporation Limited** ([TSX:CTC.A](#)). Canadian Tire has been a [top pick](#) of mine for some time now due in large part to the vigilance and proactive approach taken by management to combat industry-related threats from **Amazon.com, Inc.** and others.

Canadian Tire has also taken an innovative approach to e-commerce, while initiating a number of other strategic tactical improvements in 2017, including building the company's private label program and enhancing the company's customer service levels at its physical locations. I expect 2018 to be a year in which Canadian Tire will continue to expand margins, grow its dividend, and effectively stiff-arm outside e-commerce threats once again.

Stay Foolish, my friends.

CATEGORY

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TICKERS GLOBAL

1. TSX:CTC.A (Canadian Tire Corporation, Limited)
2. TSX:ZZZ (Sleep Country Canada)

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