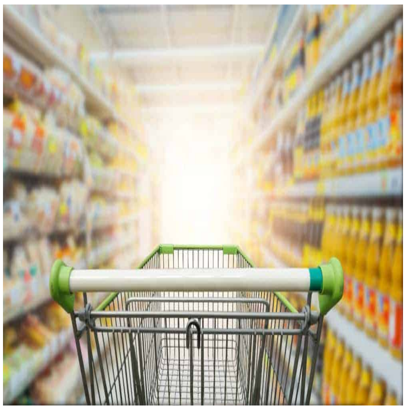

This U.S. Retailer Might Be the Tech Stock You Didn't Know You Needed

Description

With one of the rallying cries of the summer being "buy Canadian," investors might be looking to add exposure to the wild and sometimes wacky world of American retailing. However, the stock listed below will give domestic investors a chance to get in on a British innovation in a market closer to home.

A new system of grocery order picking is heading to North American shores courtesy of new deal being drawn up by an online grocer across the pond and one of the biggest retailers in the U.S. While this doesn't sound like an obvious investment choice for domestic stock lovers, there may well be some upside in the venture.

What do food, A.I., and flight control have in common?

Well, nothing. Unless you're the U.K. online food retailer **Ocado Group**. This canny company uses A.I.-programmed flying robots to coordinate shopping basket fills in their depots, which shaves untold hours and operating costs off of the overheads and has seen its stock rocket in value.

But what does this mean for Canadian investors? Well, **Kroger** (NYSE:KR), one of the biggest U.S. retailers, recently bought the system used by Ocado Group. So, while you may not be too interested in U.S. retail stocks in and of themselves, an opportunity to cash in on the future of grocery shopping has indeed presented itself.

If I'm going to buy Kroger stock, what do I need to know?

Discounted by 32% compared to its future cash flow value, Kroger has a nice and low P/E of 7.3 times earnings to underline that good value. With a -12.8% expected annual decline in earnings on the way, its PEG is unreadable, though Kroger's P/B of 3.4 ratio of times book undermines its value, being somewhat steep for a U.S. retail stock.

It also pays a small but welcome dividend yield of 1.88% and made a return on equity of 52% last year, both of which showing that Kroger knows how to make good use of its shareholders' funds.

A generally upward trending share price means that this might be a stock for the less-wild momentum investors, though buyers may want to consider this an entry point for what could turn into a favourite of tech stock fans and lovers of all things artificial intelligence.

The bottom line

Alternatively, you might want to buy the **Slate Retail REIT** (TSX:SRT.UN), which will give you lower Kroger exposure while diversifying your U.S. retail holdings. Mind you, if the whole point of buying Kroger is for its innovative new warehouse system, then you may not be interested in other American retailers.

On the plus side, though, Slate Retail REIT is considerably better value than Kroger, trades on the TSX (a mitigating facet of this American-focused REIT for staunchly domestic investors), and has a *much* higher dividend yield of 8.54%. On one hand, you have a single retail brand that just happens to have some exclusive new tech driving its warehouse system, and on the other, a cyclical defensive play that adds exposure to the broader U.S. market. The choice is yours!

CATEGORY

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2. TSX:SGR.UN (Slate Retail REIT)

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