Safeguard Your Dividend Portfolio With These Canadian Retail Stocks

Description

With investors eyeing a battered economic landscape, as central banks cut rates around the world and pundits hunker down for a widespread correction, snapping up shares in consumer staples is a smart play right now. While food producers can offer a pure-play, the following three retailers represent some of the most secure investments in the grocery retail space, with a multi-line retailer thrown in for good measure.

A trio of smart purchases for investors shopping for stocks

Spanning a sizeable chunk of the planet, **Alimentation Couche-Tard** (TSX:ATD.B) serves nations as far-flung as Europe and Scandinavia and operates under the Circle K banner in Asia, Saudi Arabia, Mexico, and elsewhere. In other words, if it's a geographically diversified retailer you're looking to invest in, Alimentation Couche-Tard is top dog.

Trading close to its 52-week high, the stock could be better value for money, and investors may wish to wait for a dip. Paying a dividend yield of 0.61%, it's also not much of a passive-income stock, though the presence of a dividend suggests that it could get hiked in the future.

Canadian Tire (TSX:CTC.A), with its unique brand of multi-line retailing and ubiquity across the country, could be just right for an economic environment in which affordable houseware products are likely to be popular. Selling everything from sports equipment and home decor to tools and toys, Canada's eponymous retailer boasts more than 500 stores and a comprehensive online platform.

Does that make its stock a buy, though? The stock could be better value for money and is overpriced compared with the North American multiline retail industry average in terms of both earnings and assets. Its balance sheet is also something of a concern, though its high debt level is well covered by short-term assets. A dividend yield of 3.3% rounds out an overall buy.

Loblaw Companies (TSX:L) is a good play in the middle-ground of retailing, being neither a discount store nor a high-end retailer, and pays a 1.78% dividend yield. Groceries are a must-have even during a downturn, and with homeowners less likely to go out for dinner than they are to stay in and cook, companies like Loblaw could clean up. The company has made some key innovations, increasing the ease with which consumers can buy from their store — a big plus for key stakeholders.

With click-and-collect and home delivery options, plus the Joe Fresh clothing line, its own in-store pharmacies, PC Financial, and pretty much every other permutation of the shopping experience, Loblaw is well on the way to being the most comprehensive grocery store in the country. Its stock is not the cheapest, overvalued compared with its Canadian retail peers, though its outlook is resoundingly positive, with around 20% growth expected.

The bottom line

At the end of the day, Alimentation Couche-Tard stock is a recession-resistant buy for its potential to reward with steep capital gains, as the company builds on its international footprint further down the road. Both Loblaw and Canadian Tire are well placed to weather a downturn and are attractive plays for passive income.

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2. TSX:L (Loblaw Companies Limited)

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