Forget Shopify (TSX:SHOP): Buy These 3 Killer E-Commerce Stocks Instead

Description

As socially isolated shoppers get their fix of buying stuff online, it seems like every e-commerce-related stock has gotten a massive boost. **Shopify** (TSX:SHOP)(NYSE:SHOP) has been the biggest beneficiary of this in Canada, with shares up substantially in April alone.

But there are three things that may bring Shopify down from its lofty perch of more than $900 per share as I write this. Firstly, this is pretty much the perfect storm for e-commerce. The trend will slow when folks are allowed to go to the mall again.

Then there's the unique economic situation we're in today. Unemployed people with extra time on their hands are undoubtedly chasing dreams of online riches, primarily using Shopify's tools. Many will give up this new side hustle when it's time to go back to work.

And finally, Shopify's valuation is getting silly. Shares are trading at 36 times the company's expected sales for 2020, and earnings will likely be negative. Yes, I know it has some exciting growth potential, but there comes a point where it's obvious the company's stock is no longer trading in line with its fundamentals.

So, even though I'm still a big fan of Shopify's position in the market and the long-term potential in e-commerce, I can't recommend investors buy the stock today. It's just too expensive. Instead, investors should check out these three alternatives — companies with exposure to this potentially lucrative sector without the expensive price tag.

Dream Industrial REIT

The thesis here is simple. Warehouses will become increasingly important in a world without as much physical retail. That's good news for the industrial real estate sector and **Dream Industrial REIT** (TSX:DIR.UN) in particular.

Dream Industrial has already identified e-commerce as a key growth driver, and positioned the portfolio accordingly. It owns 262 properties in Canada, the United States, and in Europe, spanning some 25.8

million square feet of space. Strong demand in the industrial market has given Dream the ability to raise rents substantially over the last few years, especially in markets like Ontario and Quebec.

Management is also using an interesting strategy with the European assets. The company plans to borrow up to 100% of the value of these properties at cheaper European interest rates and pour that cash back into North America, where cap rates are higher.

Dream Industrial also pays a succulent dividend, with the payout at 7% annually. And even in a tough economy like the one we're in today, the distribution looks to be safe.

TFI International

TFI International (TSX:TFII) is a North American leader in transportation and logistics. This trucking company has more than 80 different subsidiaries operating in Canada, the United States, and Mexico.

A big part of TFI's growth over the last few years has come from the e-commerce sector. It has a robust courier business in Canada, and its less-than-truckload segment — which operates across North America — is also well positioned to capitalize on this trend.

Thanks to the recent market sell-off, TFI International shares are cheap. It earned $463 million in free cash flow in 2019. Shares have a current market cap of just over $3.2 billion on the TSX. That gives us a price-to-free cash flow ratio of just under seven times. Earnings will likely go down in 2020, but that should just be temporary.

TFI also pays a nice dividend, with shares yielding 3.1% today.

Canadian Tire

Canadian Tire (TSX:CTC.A) shareholders are grateful the company made a big investment in its e-commerce platform. The company's online business has vaulted in importance of late, becoming an important piece of the pie.

Canadian Tire also has another interesting thing going for it today. Many Canadians are using some of their free time on home renovations, finally doing those jobs that have been put off for years now. I know my local Canadian Tire store is busier than ever, and staff are run off their feet trying to help everyone.

Critics argue the company can't repeat last year's earnings, which checked in at over $11 per share. After all, the company's other chains — like Mark's and Sport Chek — are currently closed. But I think earnings could easily recover to that level in 2021, making today's stock price of $92.80 an interesting entry point.

Finally, the sell-off has really elevated Canadian Tire's yield. The payout is now 4.7%.

CATEGORY

1. Dividend Stocks
2. Investing

3. Tech Stocks

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:SHOP (Shopify Inc.)
2. TSX:CTC.A (Canadian Tire Corporation, Limited)
3. TSX:DIR.UN (Dream Industrial REIT)
4. TSX:SHOP (Shopify Inc.)
5. TSX:TFII (TFI International)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Investing
3. Tech Stocks

Tags

1. Editor's Choice

Date
2025/08/16
Date Created
2020/04/22
Author
nelsonpsmith