



Shopify Stock Is Great, But This TSX Stock Is My Top E-Commerce Pick Right Now!

Description

The growth we're seeing in e-commerce as a secular trend is game changing. Investors may look to companies that benefit from this secular trend directly such as **Shopify Inc.** ([TSX:SHOP](#))([NYSE:SHOP](#)). Indeed, Shopify has been one of the best performing stocks on the **TSX** in recent years. This is likely to remain the case for some time, at least until investors turn their backs on growth stocks, which seems unlikely right now.

However, there also happen to be many ways to play e-commerce growth that are sneaky indirect options to take advantage of this growth potential.

In this article, I'm going to discuss why I think **WPT Industrial REIT** (TSX:WIR.U) is one of the best ways to do so. This goes double for those with more conservative risk profiles. After all, Shopify's valuation right now given its current fundamentals precludes many investors from indulging, on a fundamentals basis alone.

Valuation concerns in this sector are real

Unfortunately, indirect e-commerce plays are really all that's left, in terms of stocks with reasonable valuations right now. Even some of the most highly sought after indirect plays on this sector are starting to trade at elevated levels. That said, I haven't seen such a premium materialize yet for WPT relative to its peers, though I think this is a company deserving of such a premium.

The problem with Shopify's valuation right now isn't that it's a bit elevated. This is one of the highest valuations on most fundamental metrics in Canada, North America, and maybe the world. The amount of growth that's being factored into Shopify and its peers right now is mind-boggling. Personally, I love the secular drivers underpinning e-commerce right now, but can't justify the valuations in this sector. This is precisely where WPT comes into play.

WPT has excellent relative value and fundamentals right now

Indeed, WPT happens to be my top choice for those concerned about where valuations are right now in the e-commerce space. Industrial real estate (distribution centres and warehouses) are going to be focal points of investors taking a "[picks and shovels](#)" investing approach to e-commerce. WPT has a very high-quality portfolio of these assets. Accordingly, I think this is one of the best indirect ways to play e-commerce growth right now.

Additionally, WPT has impressive value relative to its fundamentals and long-term growth potential. At only 6-times earnings, and trading right around book value, investors are getting dirt cheap exposure to the e-commerce secular trend with WPT.

This company also has a return on equity above 20% and a very sustainable dividend yield of around 5%. I think there's a ton of room for dividend growth on the horizon, given the payout ratio sported by WPT of less than 40%. For REITs, that's extremely low.

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