2 Canadian Stocks With Dividends I'd Buy Over Shopify

Description

Shopify (TSX:SHOP)(NYSE:SHOP) stock has been in a world of pain amid the latest tech-focused market selloff. With the S&P 500 and Nasdaq 100 in a correction, many Canadians may be jittery as to when they should step in and start doing some buying. I think now is as good a time as any, given just how bearish sentiment on the Street has become. Indeed, four or five rate hikes don't bode well for companies that are lacking in near-term profitability prospects.

While Shopify may push further into profitability, it's arguable that the valuation is mostly looking at Shopify for its massive profits way into the future. Indeed, Shopify is a great e-commerce company with way more room to run on the growth front, given its massive TAM (total addressable market) and capable managers. Still, investors demand big profits in the here and now. And although Shopify is growing its sales at a rapid pace, its near-term earnings prospects probably don't justify its rich multiple (currently at 34 times sales). And for that reason, Shopify stock will probably continue leading the charge lower, as tech stocks and growth sink in favour of value.

While the 50% decline may seem like a buy in those previously white-hot shares of Shopify, the next support level seems a way off. And just because a stock has shed half of its value doesn't mean it can't do it again. If rates do go much higher this year, the taper tantrum could pummel names like Shopify, making them too risky to hold as a part of my diversified portfolio.

Shopify stock: Still too expensive. I'd rather buy value stocks with dividends

Instead of trying to catch a bottom in the falling knife, I'd much rather own value. Earnings in the now are what matters in an environment where rates are rising at a potentially rapid pace. At this juncture, dividend stocks look enticing over companies that plan to funnel excessive amounts of cash into R&D initiatives.

If rates don't rise as much as the Street expects, then, sure, Shopify could be due for a bounce. But given the stakes and the valuation, I wouldn't look to make such a bet. Indeed, it's tough to value a name like SHOP stock, unless you have more clarity on just where rates are headed and how fast they'll stand to ascend.

Iconic retailer **Canadian Tire** (TSX:CTC.A) and **Parkland Fuel** (TSX:PKI) both stand out to me as a great Canadian stock with dividends to prefer over the likes of Shopify stock.

Canadian Tire

Canadian Tire is an iconic retailer that demonstrated tremendous staying power last year. With the stock sinking alongside broader markets, though, the valuation has compressed unfairly. At 9.5 times trailing earnings, I view the retailer as a dividend rock star in the making. The safe 3% dividend yield is worth grabbing, and if the spending boom takes it to the next level, I'd look to continue accumulating shares before a potential correction to the upside.

Indeed, value and dividend stocks have been dragged lower. They're casualties that could be quicker to bounce than the likes of hard hit but still expensive plays like Shopify stock.

Parkland Fuel

Parkland Fuel is another boring retail play. It's behind many of the gas stations you may have shopped at. The firm recently pulled the trigger on a M&M meat shops to bolster its standing in frozen foods. I'm a massive fan of the deal and think PKI stock is way too cheap to ignore after adding 7% to its losses year to date. With a juicy 3.8% dividend yield, Parkland is precisely what you want to own when earnings and dividends matter more than just stories of growth in the future.

Remember, many companies may never keep their growth promises. And it could take years later and a nasty plunge to discover the harsh reality and risk that comes with growth investing.

CATEGORY

1. Investing

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1. NYSE:SHOP (Shopify Inc.)
2. TSX:CTC.A (Canadian Tire Corporation, Limited)
3. TSX:PKI (Parkland Fuel Corporation)
4. TSX:SHOP (Shopify Inc.)

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