Forget Shopify: 2 Stocks for New Investors' TFSA Funds

Description

Shopify (TSX:SHOP)(NYSE:SHOP) stock has been in a world of pain of late, with shares now down north of 80% from its all-time high of more than $200 per share. Though the negative momentum seems to have slowed pace, new investors looking to buy the dip should know the risks as we head into a potential recession.

Now, Shopify is more than able to come out of this crisis. However, with slowness in its Shop app and rising competitive pressures, I'd argue that Shopify stock remains difficult to value here. Sure, Shopify stock is closer to a bottom than it was a few months ago. But just because shares have lost 80% doesn't mean they can't fall by another 20% or even 40%, especially if a recession is inevitable.

With U.S. inflation soaring above 9%, rates may have much further to go, adding even more pressure to capital-intensive firms like Shopify. Eventually, Shopify stock will turn a corner. But it's hard to tell when, given the profound headwinds that could cause shares to slip below that $400 level of support.

Given the numerous unknowns involved with Shopify at this juncture, I'd argue that it's a far better idea to reach for the stocks that are easier to value. We're talking about the types of firms with resilient cash flow streams and the ability to make it through the coming recession without enduring too much damage.

A less risky bet than Shopify stock

Consider shares of **TFI International** (TSX:TFII)(NYSE:TFII), one dividend grower that, I believe, is still cheaper than shares of Shopify.

Remember, contrarian investors should strive to maximize their margin of safety at a time like this. That means paying much less than intrinsic value for shares of a firm. At 8.5 times sales, shares of SHOP aren't exactly a bargain. If it can reaccelerate its growth rate and stay competitive coming out of a potential 2023 economic recession, then, sure, a 8.5 times sales multiple is cheap.

However, if rates stay elevated and the coming recession is more severe than most expect, Shopify stock could easily fall to $200 per share.

TFI is not immune to a recession. However, with solid long-term earnings-growth trajectories and solid balance sheets, both stocks seem to have wider margins of safety than those fallen hyper-growth stocks.

A cheap logistics firm for long-term thinkers

TFI is a less-than-load trucker that transports goods across the country. Undoubtedly, the logistics firm is vital to the health of the Canadian economy. Though a recession could dampen coming quarters, I'd argue that most of the damage has already been done, with the stock now down more than 25% from its high.

At 10.7 times trailing earnings, the bar is set low for the $9.89 billion firm that's likely to keep on trucking through the coming economic slowdown. With a growing dividend (yielding 1.3% at writing), TFI is tough to pass up following its latest dip.

Finally, management has really improved upon operational efficiencies since 2018 when the firm shot itself in the foot. As the firm continues raising the bar, it will be tough to keep the stock down for too long a duration.

CATEGORY

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2. NYSE:TFII (TFI International)
3. TSX:SHOP (Shopify Inc.)
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