



3 Rock-Solid Dividend Stocks for the Next Decade

Description

It hasn't been the best year for Canadian investors.

The **TSX Composite Index** is all but assured to end the year in negative territory, down more than 9% as I write this. It has been weighed down mostly by energy and mining, but it's not like there are many sectors that are up for the year. The pain has been felt just about everywhere.

The good news is a decline offers opportunities to pick up great stocks at bargain prices. Although stocks aren't as cheap as they were in 2009—an event that might not ever happen again in our investing lives—they're still not badly priced, especially considering the alternatives. When fixed-income yields barely keep up to inflation, getting a 3-5% dividend on a stock plus the potential for capital appreciation is a pretty good deal.

The formula is simple. All you need to do is find great companies that are selling at discount prices when times are tough—buy them up, and the rest is history. You'll enjoy great dividends for years to come, plus the potential for capital gains that exceed the market.

Here are three stocks I think are offering attractive entry prices today.

TMX Group

When stock markets suffer, shares of stock exchanges fall. But **TMX Group Limited** ([TSX:X](#)) isn't just suffering from weak markets. Earlier this month, the NASDAQ stock exchange announced it was entering Canada, buying Chi-X Canada, an alternate trading system. Shares of Canada's largest stock exchange plummeted on the news, falling some 20%.

I don't think this will affect TMX Group as much as the market does. Part of listing on the stock exchange is getting capital. But perhaps a bigger part of it is prestige. Management teams want their companies exposed to the biggest investor audience, which means a listing on the Toronto Stock Exchange is all but mandatory.

The company has also done a nice job diversifying out of just collecting fees per trade. It supplies

investors with information such as real-time data. It has also expanded into energy trading, and the company's Alpha Exchange offers smaller businesses the chance to get equity financing.

TMX Group trades at an attractive valuation with shares at just 13.2 times trailing earnings. That valuation, plus the 4.5% dividend, are what make the company very attractive at today's price.

WestJet

WestJet Airlines Ltd. (TSX:WJA) is a premium company trading at a very depressed valuation because of economic concerns.

Although Alberta's economy is hurting, WestJet shows no signs of slowing down. The company earned a healthy profit of \$0.82 per share in its latest quarter and has generated \$3.10 per share in profit over the last 12 months. That puts shares at just 6.6 times trailing earnings.

WestJet also has the balance sheet to weather this current downturn. It's currently sitting on \$1.4 billion in cash, while owing \$1.2 billion in long-term debt. And with more and more of its revenue coming from sources that aren't commoditized airline tickets, I like the chances of it adding to that cash pile throughout this weak period.

WestJet is committed to growing its dividend. Since initializing the \$0.05 per-share quarterly payment in 2010, the company has hiked it each year. The current payout is \$0.14 per quarter, good enough for a 2.7% yield.

Cineplex

There's a lot to like about **Cineplex Inc.** ([TSX:CGX](#)), and it isn't just about the new *Star Wars* movie.

Firstly, it dominates the movie theatre space in Canada, commanding a market share of approximately 80%. It's also doing its best to diversify away from showing movies, picking up the rights to show events like the Super Bowl on its big screens. And things like advertising and online sales of movies are starting to really boost the top line.

Combine those attributes with a dividend yield of 3.3%, and it's easy to see why investors think Cineplex could be a great long-term hold. Perhaps the only issue is the valuation. With shares currently trading hands at 34 times earnings, it's an expensive stock. But if you look forward to 2016, the company only trades at 23 times projected earnings, which is much more reasonable. That's not a bad price to pay for a company with so much growth potential.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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2. TSX:X (TMX Group)

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