Easily Ignore the Brexit by Loading Up on These 3 Dividend Superstars

Description

The last few days have been dominated by the so-called Brexit: an event that at least a few market observers were calling the most important economic move of the 21st century.

Naturally, pundits are mixed about what this could mean. Some say this could be the end of Britain as a major economic power as the country enters a new period of isolationism. Others say that it won't matter much at all. Most are somewhere in the middle, saying that things don't look good for the island nation in the short term, but over the medium to long term, it should be fine.

I won't pretend to be an expert in European politics. What I do know is that many of Canada's top stocks are selling off because of an event that has zero direct correlation to their business or their health. In other words, this is all noise.

This has created an opportunity for Canadian investors to load up on some of the country's best stocks at bargain prices. Here are three that should be on your radar today.

Transcontinental

Warren Buffett always tells investors to look for companies that have a moat: a sustainable competitive advantage over other companies in the same industry. I believe commercial printing company **Transcontinental Inc.** (TSX:TCL.A) has such an advantage.

Transcontinental is Canada's largest commercial printer. Chances are your local paper and most of the flyers you get in the mail are printed from one of the company's many regional operations. The common perception is that flyers are slowly being replaced by the internet, but that's just not true. If anything, flyers are more important than ever in today's ultra-competitive retail world.

Transcontinental is also one of Canada's cheapest stocks, at least on an earnings basis. Earnings over the last 12 months were $2.42 per share, putting the company at just 7.2 times trailing earnings. Free cash flow is even better, with the company posting $4.12 per share in free cash flow over the last 12 months.

Investors are also getting paid a sweet dividend by Transcontinental, coming in at 4.3%. With a payout ratio of just 31% of earnings, look for that dividend to continue to rise as it has the last three years.

Power Corporation

Power Corporation of Canada (TSX:POW) shares have been hit hard by the Brexit, mostly due to its (relatively small) exposure to Europe.

Power Corporation is a holding company that has a 65.6% stake in **Power Financial**. In turn, Power Financial owns 67.4% of **Great-West Lifeco**, 61.2% of **IGM Financial**, and 50% of Parjointco, which owns a stake in a handful of European stocks.

But Power Corporation doesn't just hold Power Financial shares. It has an energy subsidiary and owns several newspapers and digital properties. It also has various investments in certain hedge funds.

If you add up the value of these stakes, Power Financial trades for approximately 20% below its intrinsic value. It's also cheap on an earnings basis with shares trading hands at just 8.4 earnings. Shares pay a dividend of 5.01% with a payout ratio of just 43% of earnings.

Intact Financial

Intact Financial Corporation (TSX:IFC) is Canada's largest property and casualty insurer with a market share of approximately 17%.

The fragmented nature of the business has been a good thing for Intact. The company has been slowly acquiring smaller players in its niche, making them more profitable due to better underwriting and from synergies.

In 2015 Intact posted a combined ratio–a key measure of insurance underwriting profitability–of 92.8%, easily beating out competitors who posted an average combined ratio of 96.6%. In insurance, the lower number is better.

Intact's underwriting skills have led to solid earnings and dividend growth. In 2010 the company posted earnings of $3.65 per share. By 2015 those earnings were up substantially, increasing to $5.20 per share. Dividends also went up nicely, increasing from $1.36 per share annually to $2.12. The company is on pace to pay $2.17 per share in dividends in 2016, which is good enough for a 2.5% yield.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:IFC (Intact Financial Corporation)

2. TSX:POW (Power Corporation of Canada)
3. TSX:TCL.A (Transcontinental Inc.)

Category

1. Dividend Stocks
2. Investing

Tags

1. Editor's Choice

Date
2025/08/23
Date Created
2016/06/27
Author
nelsonpsmith