



3 Dividend Stocks With Growth and Value to Own in 2017

Description

With just a few trading days left in 2016, the S&P/TSX Composite Index is set to deliver +20% returns for the first time since 2009. As a result, stocks have gotten more expensive this year; the index's current P/E ratio 17.1—its highest level since 2010.

While hard to find, there are some TSX stocks that provide dividend investors with both growth and value.

To make this particular trio of stocks, a company had to meet three criteria:

1. A dividend yield of 3% or higher;
2. A price-to-book ratio of 1.5 or less; and
3. A year-to-date return of 20% or greater.

The first criterion is what income investors look for in stocks; the second appeals to value investors; and the third indicates momentum—an attribute of most growth stocks.

Here are three dividend stocks with growth and value worth owning heading into 2017.

Laurentian Bank of Canada ([TSX:LB](#))

With every one of the Big Five Canadian bank stocks doing well in 2016, it's surprising that this tiny Quebec-based bank was able to get any investor attention this year, but given its stock is up 24.3% year-to-date, obviously someone noticed.

My [favourite](#) big bank is **Canadian Imperial Bank of Commerce**. Unfortunately, its price-to-book ratio of two eliminates it from contention.

Laurentian's current dividend yield is 4.2%; its price-to-book ratio is 1.2; and its stock year-to-date, as already mentioned, is up 24.3%.

What's to like about Laurentian?

A big positive in the past year was the growth of its loans to business customers. It finished fiscal 2016 with \$10 billion outstanding—up 25% over a year earlier. Its goal is to get to \$13 billion by the end of 2019. If its current growth keeps up, it could meet that goal 12-18 months early.

Consider Laurentian Bank like you would a regional bank in the U.S. It doesn't have to be humongous to do well.

Dorel Industries Inc. ([TSX:DII.B](#))

If you're buying a bike, furniture for your home, or a car seat for your baby, Dorel is a company you might want to investigate more closely. Its products are in demand at different times of the buying cycle, providing shareholders with great diversification.

Dorel's current dividend yield is 4%; its price-to-book ratio is 0.9; and its stock year-to-date it's up 31.9%.

Most of Dorel's stock performance came in the first nine months of the year. In the last quarter, it's still up a very respectable 9.7%. Over the past five years, it's averaged an annualized total return of 13.1%—440 basis points higher than the index. In other words, it's more than held its own.

What's to like about Dorel?

Its three business segments—sports, home furnishings, and juvenile—all generate about the same amount of revenue, which means they all get a similar amount of attention from management.

In the third quarter ended September 30, all three divisions increased profits despite decreased revenues from both its juvenile and sports businesses.

I see Dorel entering the second year of a three-year run-up in the price of its stock. Expect it to set new highs in 2017.

TransAlta Renewables Inc. ([TSX:RNW](#))

I don't know a whole lot about the **TransAlta Corporation** spinoff, other than the fact it is Canada's largest producer of wind power and 64% owned by the parent.

However, Fool.ca contributor Nelson Smith [wrote](#) about TransAlta Renewables in October and suggested that as it continues to acquire more renewable assets both in Canada and Australia, its dividend is going to continue to rise. It is currently paying \$0.88 annually, and that's expected to rise to \$0.94 in 2017.

TransAlta Renewables's current dividend yield is 6.2%; its price-to-book ratio is 1.5; and its stock year-to-date it's up 44.4%.

Buy all three of these dividend stocks, and you've got a ready-made portfolio that would have generated an annualized total return of 10.3%—260 basis points better than the index—over the past three years.

CATEGORY

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TICKERS GLOBAL

1. TSX:DII.B (Dorel Industries Inc.)
2. TSX:LB (Laurentian Bank of Canada)
3. TSX:RNW (TransAlta Renewables)

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