

## 3 Dividend Value Stocks to Buy Now

### Description

If there's one thing buy-and-hold investors ought to like better than value stocks, it's *dividend* value stocks.

*Morningstar's* Emily Halverson-Duncan recently backtested 711 Canadian stocks over an 18-year period looking for companies with low P/E, P/B, and P/CF ratios and stocks paying dividends with a payout ratio less than 60%.

Over this period, the portfolio gained 16% annually, more than double the TSX. Of the 15 stocks in the portfolio at the end of February, these are the three dividend value stocks to buy now.

#### Dividend value stock # 1

Like **Berkshire Hathaway Inc.** (NYSE:BRK.A)(NYSE:BRK.B) and Warren Buffett, **Fairfax Financial Holdings Ltd.** ([TSX:FFH](#)) and Prem Watsa make for interesting reading.

Watsa's annual chairman's letter to shareholders is a must-read. In this year's letter, Watsa reminds shareholders that 2017 was a record year, despite the fact that several hurricanes in the U.S. and Caribbean cost the company \$1.3 billion.

Fairfax's book value per share grew 24.7% in 2017, eclipsing both its 32-year average of 19.5% and the 23% growth achieved by Berkshire Hathaway in the past year. While Watsa doesn't have as many years in the books as Buffett, the Fairfax CEO and chairman is doing a good job keeping pace.

With a forward P/E of 11.6, a P/B of 1.1 and a P/CF of 4.8, FFH stock is cheaper than it's been at any time in the past five years. By comparison, Berkshire Hathaway has a forward P/E of 19.3, a P/B of 1.4, and a P/CF of 10.6.

With a 2% yield and \$2.4 billion in cash and marketable securities held in the holding company, it's no wonder Fool.ca contributor Joey Frenette recently [called](#) Fairfax a great "insurance policy."

With its dividends and value, you can't go wrong with Fairfax.

#### Dividend value stock # 2

My next pick isn't one of the Big Five Canadian banks, but that shouldn't keep you from considering an investment in **Laurentian Bank of Canada** ([TSX:LB](#)), a stock that's absolutely been pummeled in 2018, down almost 16% year to date.

The big drop comes as a result of an issue with the two residential mortgage securitization programs it uses, something I wrote about back in December when I [recommended](#) Laurentian, only to see it fall out of bed over the next three months.

In its Q1 2018 conference call, CEO Francois Desjardins addressed what the bank is doing to ensure the problem goes away.

“Since November 1st we have been implementing improved processes for the adjudication of new mortgage loans. We continue to monitor and adjust these processes in order to achieve the level of quality that we have set for ourselves,” stated Desjardins February 28. “Moreover, the implementation of the new B20 guidelines is also leading to further changes in our procedures. We are making good progress towards the resolution of the situation with the third-party purchaser, or TPP.”

To make a long story, short, Laurentian has taken the necessary steps to fix the situation, so third parties aren't sold mortgages that shouldn't have been sold by the bank in the first place.

As Desjardins stated, Laurentian is a conservative lender; this will only make it stronger.

The bottom line: I liked Laurentian in December. At 16% less and a 5.2% yield, I like it even more.

### **Dividend value stock # 3**

This last stock is a very tiny company with a market cap of just \$225 million. Yet **Quarterhill Inc.** ([TSX:QTRH](#))(NASDAQ:QTRH) also trades on NASDAQ and pays a dividend yield of 2.7%.

What gives? Well, a history lesson should give you a better idea why it's only trading at less than book value.

Quarterhill used to be called Wi-Lan Inc., a company that got its start manufacturing wireless modems, but was essentially forced out of the market by larger, better-capitalized Asian companies. To survive, current CEO James Skippen pivoted the company in 2006 to protecting and monetizing its patents.

In 2017, Wi-Lan's name was changed to Quarterhill to reflect its new business strategy of acquiring promising growth companies. In fiscal 2017, Wi-Lan generated a lion's share of the company's \$134 million in revenue, generating more than enough operating profits to cover the \$4.5 million in annual dividend payments.

I wouldn't put your entire portfolio into Quarterhill, but it is a micro-cap stock on the TSX worth watching.

### **CATEGORY**

1. Investing

### **POST TAG**

1. Editor's Choice

### **TICKERS GLOBAL**

1. NYSE:BRK.B (Berkshire Hathaway Inc.)
2. NYSE:BRKA (Berkshire Hathaway Inc.)
3. TSX:FFH (Fairfax Financial Holdings Limited)
4. TSX:LB (Laurentian Bank of Canada)

5. TSX:QTRH (Quarterhill Inc.)

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