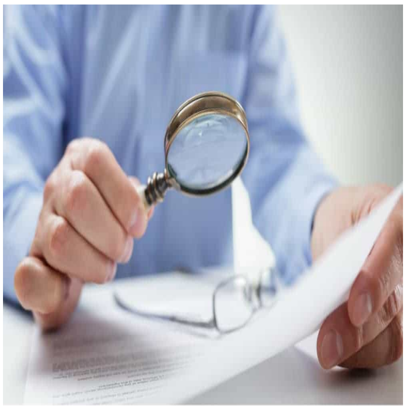

3 Dividend Stocks You’re Likely Overlooking

Description

Blue chips and big names get a lot of attention in business news, which often means that investors need to dig a little deeper to find interesting opportunities and hidden gems.

The three stocks that we will examine in this article aren’t flashy names making headlines; instead, they are quietly operating strong businesses and paying their shareholders generous dividends.

Transcontinental (TSX:TCL.A)

Reports of the death of the print-media industry have been greatly exaggerated.

With three-year average earnings growth per share in excess of 25%, publisher, printer, and packager Transcontinental has defied the doubters and naysayers predicting the decline of its industry.

That being said, Transcontinental is in the midst of a major transformation, as it moves away from the local community newspaper business and pivots toward packaging. Through a series of acquisitions, the most recent of which is a US$1.32 billion deal for Coveris Americas, the company has increased packaging revenue as a portion of overall revenue from around 5% in 2015 to nearly 50% today.

Currently, Transcontinental is trading just off of its 52-week low, offering great value; the company trades at a price-to-earnings multiple of around eight and a price-to-book ratio of a little more than 1.2.

Since 2013, the company has increased its dividend by more than 40% and now pays $0.21 per quarter — good for a yield of over 3.6%.

Russel Metals (TSX:RUS)

In North America, Russel has cemented itself as one of largest metals distribution and processing companies and has significant operations in the pipe, valve, and fittings segments.

By geography, the company is mostly focused in Canada, while U.S. operations account for roughly 35% of revenues.

With five-year average earnings growth per share of around 4%, Russel isn't an explosive growth stock, but it's nice to know that the company has a positive trend. Tailwinds for improved future growth include increasing prices for HR sheet and carbon plate. Further, rising oil prices bode well for the company's energy segment, which makes up over 35% of its business, inclusive of all tubular goods.

Overall, Russel presents a compelling value play, as it sports a price-to-earnings multiple of around 10 and a price-to-book ratio of about 1.8. The company offers quarterly dividends of $0.38, which translates to a hefty yield of more than 5.5%.

ARC Resources (TSX:ARX)

Turning to energy, ARC is a low-cost, high-netback producer with growth centred on the Montney Formation that spreads across the British Columbia and Alberta border. Most exciting about ARC is its impressive project inventory, many of which are nearing the end of their development phase and preparing to generate free cash flow.

In terms of production breakdown, ARC is increasingly weighted toward natural gas. Likewise, of its estimated 17-year proved plus probable reserves, roughly 75% are natural gas.

With net debt below one times funds from operations (FFO) and a payout ratio close to the company's target of 25% of FFO, there is a lot to like about ARC's avoidance of excessive risk amid commodity uncertainty.

The company's monthly dividend, cut during the oil slump, of $0.05 still offers a respectable yield of over 4%. Simultaneously, ARC shares offer great value, trading at a price-to-earnings multiple of a little more than 11 and a price-to-book ratio of slightly less than 1.4.

Conclusion

While the stocks discussed above may not be names that frequently grace the pages of the business section of the newspaper, they are nevertheless superb dividend payers with strong and growing businesses.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing
4. Metals and Mining Stocks

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2. TSX:RUS (Russel Metals)
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