



## Which of These 2 Discounted Dividend Payers Is Healthy Enough for Your TFSA?

### Description

When new investors start shopping around for dividend-paying stocks to stash long term in a Tax-Free Savings Account, or even an RRSP or RRIF, they generally want a mix of value and stability. Trawling through the TSX index for stocks that tick all of these boxes can be an arduous task, and leaving it up to a financial manager doesn't always give risk-averse investors the transparency they seek.

However, using certain filters on stock-picking apps or investment websites can give some indication of which stocks are going cheap, while still paying dividends and boasting healthy balance sheets. Below, you will find two good examples of the sort of stocks that are returned by a cursory search, along with some of the data that you would need to scrutinize to ascertain whether they are a good buy or not.

#### **Magellan Aerospace** ([TSX:MAL](#))

With a billion-dollar market capitalization and whopping 47% discount against its future cash flow value, [Magellan Aerospace](#) is looking like a solid buy today. Further indicators of attractive valuation include a P/E of 11.7 times earnings, PEG of 1.7 times growth, and P/B of 1.5 times book. Growth-wise, it's looking at a 6.8% expected annual growth in earnings over the next one to three years.

This follows on from a disappointing past 12 months for Magellan Aerospace, which saw drop in earnings of 9.4% against a sector growth of 13.7% for the same period. It's a bit of a let-down after a positive five-year growth of 16.5%. That said, the company had a return on equity of 12% last year, and with a dividend yield of 1.82% at today's price of \$18.70 a share and a very low comparative debt level of 10.2% of net worth, it's looking like a quality bargain.

Competitors like **Spirit AeroSystems Holdings** and **Triumph Group** are very different animals in terms of stock market variables, despite being in the same sector; the takeaway here is that Magellan Aerospace is a rare value opportunity.

#### **Just Energy Group** (TSX:JE)(NYSE:JE)

With a \$635 million market cap and more than a 50% discount against its future cash flow value, this geographically diversified energy provider is a cheap stock paying large dividends. That's usually a red-

flag combination, though, so let's do some digging into the available data.

While low P/Es are usually a good sign in terms of value, a ratio of 1.7 times earnings is way too low and does not signify a healthy stock with growth ahead of it. Indeed, a negative PEG ratio and huge P/B of 14.9 times book presents something of a Frankenstein's monster of multiples. Trawling through the figures, a 12.8% expected contraction in earnings over the next one to three years confirms those suspicions about future growth — or rather, the lack of it.

This stock has some pretty weird figures that likely speak to a period of intense activity. A one-year past earnings growth of 410.8% compared to the industry average of 11.6% for the same period, and its own five-year average past earnings growth of 25.6% and an ROE of 197% look great on the face of it, and if the rest of the data were this ebullient the stock might be a strong buy.

However, a woeful debt level of 309.5% of net worth really brings down the quality of this stock, compounding the poor per-asset value and projected lack of growth. While inside buying seems to be robust over the last 12 months, with over 500,000 shares bought, over three times that amount were inside sold; in short, if value investors lack confidence in this ticker, they're not alone.

### The bottom line

Currently changing hands at a knock-down share price of \$4.05 a unit, you're getting an implausibly large dividend yield of 12.35% if you buy Just Energy Group today, but I wouldn't touch it. Its closest competitors include **Algonquin Power & Utilities** and **NextEra Energy** if you want to [shop around for energy stocks](#). Magellan Aerospace is definitely the more assured buy if you were to go for either of the above two discounted stocks.

### CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

### POST TAG

1. Editor's Choice

### PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

### Category

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

### Tags

1. Editor's Choice

**Date**

2025/08/19

**Date Created**

2018/10/15

**Author**

vhetherington

default watermark

default watermark