TFSA Investors: Hurry and Snap Up This Discounted Dividend Payer!

Description

A rising share price post-earnings put the following financials stock on the radar this week for investors looking for upside post "October curse" and amid ongoing market turbulence. Now that its share price is dipping, is it a weekend buy for TFSA investors? Let's take a look at some of the data for this popular stock and see whether it's a pick for beginners, seasoned traders, or both.

A TSX index staple, the following financials stock offers an alternative, or complement, to the usual Big Five and other satellite banking entities, and comes already diversified – good to know if you're wanting to make your personal investment portfolio a bit sturdier for the winter.

Fairfax Financial Holdings (TSX:FFH)

Often finding its way into breakdowns of TSX stocks to watch, Fairfax Financial Holdings is one of the top Canadian financial stocks to buy and hold for the long term, thanks to its attractive valuation and payment of a small but defensive dividend. A market cap of $17 billion may give would-be investors a little indication of just how defensive this stock is, while a massive one-year past earnings growth of 1234.8% puts this ticker squarely in the high-growth quadrant of the TSX index.

A five-year average past earnings growth of 26.9% and PEG of 1.5 times growth dovetail nicely with a comparatively acceptable debt level of 36.6% of net worth. However, with more inside selling than buying over the course of the last 12-month period, there may be higher quality stocks on the TSX index to get excited about. Let's dive a little deeper into the stats to see how this ticker shakes out in terms of a buy, hold, or sell signal.

Value, quality, and momentum

A low P/E ratio of 7.6 times earnings looks pretty good, though let's hold off until we see the expected growth for this stock before assuming that this is a fair valuation; a glance at Fairfax Financial Holdings' P/B ratio indicates that this stock is trading at its book price, however, so decent value does seem to be in evidence. A dividend yield of 2.17% also adds up to good value, using a weighting system that lumps dividends in with market variables to ascertain whether a stock is attractively priced or not.

Looking at quality, a ROE of 12% is fairly standard for any stock worth its salt on the TSX index, while an EPS of $60.74 is significant. A 4.9% expected annual growth in earnings is positive but not significant, and does slightly undermine that low P/E ratio; that said, this TSX index financials favourite does appear to still be decently valued.

Meanwhile, in terms of momentum, this stock shed 0.75% in the last five days, down from a +1% gain for the same duration a few days ago, possibly signalling a slight value opportunity with the chance of some upside ahead. Its beta of 0.33 indicates low volatility, and its share price is discounted, but not by a significant margin, by 11% compared to its future cash flow value. All told, it's certainly not the most wild momentum stock on the TSX index.

The bottom line

Good value with a decent track record and some growth ahead, this is a solid dividend stock that seems well worth adding to a passive income portfolio at the moment, whether you're an old hand or a newcomer to buying Canadian stocks. Strike while the share price is down to make the most of that discount, and also to lock in a modest dividend yield.

CATEGORY

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

TICKERS GLOBAL

1. TSX:FFH (Fairfax Financial Holdings Limited)

PARTNER-FEEDS

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

Category

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

Date
2025/10/01
Date Created
2018/11/30
Author
vhetherington