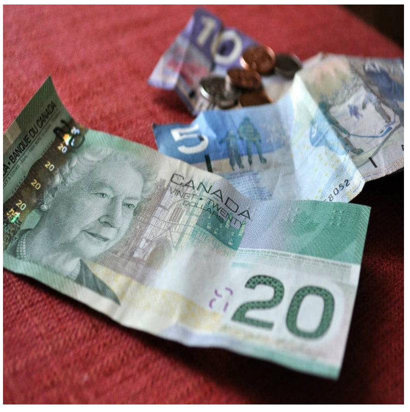

Passive-Income Investors: This TSX Index Stock Offers a +15% Dividend

Description

Did you know that the top 25% dividend-paying stocks on the TSX index pay around 6.52%? If you happen to be a passive-income investor, you will know that few healthy stocks exceed this region. Now and then a +7% or a +8% yield will generate a few headlines here and there, but for the most part, a Canadian investor generally expects yields of below 6%.

That's not so for the stock detailed below. It has been offering a high dividend yield for some time; the following ticker is currently listed with a +15% yield. However, chasing high yields can be a dangerous game to play, so let's go through the rest of the data to see if this stock is a buy.

Gluskin Sheff + Associates (TSX:GS)

Not so long ago, some pundits were eyeing this stock as a +9% yield-paying anomaly; however, as that share price has continued on its downhill trajectory, that dividend yield has climbed accordingly to even greater heights. But is this stock a buy? With that yield forecast to dip back to the 9% region next year, what other data should would-be investors be looking at to corroborate a buy signal for this stock?

A one-year past earnings growth of 4.6% underperformed by a wide margin the Canadian capital markets for the same period of time (up 30.6%), with a five-year average past earnings shrinkage by 20.7%. To complete this snapshot before we delve into the rest of the data, a PEG of 0.5 times growth does seem to represent good value, while some inside buying during the last 12 months dovetails with a lack of debt.

How does this stock score on value, quality, and momentum?

A brief scan of three main factors can give a rudimentary buy, hold, or sell signal for any given stock: these are value, quality, and momentum. To take the first factor, Gluskin Sheff + Associates has a low P/E of eight times, which should corroborate that decent PEG we just saw. However, a P/B of 3.4 times tells a different story, indicating poor valuation in terms of assets.

In terms of quality, this stock shapes up quite nicely: a significantly high past year ROE of 43% pairs with a welcome 17% expected annual growth in earnings, while last quarter's EPS of $1.31 is positive at least and helps to round out an overall healthy stock.

Meanwhile, on the momentum front, Gluskin Sheff + Associates shows a few signs that it's a more turbulent stock than expected: up 2.26% in the last five days, this TSX index dividend heavyweight is discounted by 33% compared to its future cash flow value and has a beta of 1.9, indicating high volatility relative to its industry.

The bottom line

Now that we've combed through the data for this high-yield dividend stock, it's time to look at that percentage itself. A yield of 15.36% is one of the highest on the TSX index, and with at least some indication of good value in a few regards and some growth ahead, investors may wish to look past recent underperformance to take a chance on some potentially sizable passive income.

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