Investors: Are These 3 Stocks Worth Buying?

Description

Finding a stock on the TSX index that combines growth, dividends, and a strong track record can be like hunting for a needle in a haystack. While some of the biggest Canadian stocks manage exactly this feat, and get plenty of airtime for doing so, are the following potentially overlooked dividend-payers worth adding to a passive income portfolio?

Rogers Communications (TSX:RCI.B)(NYSE:RCI)

One of the biggest telecoms stocks on the TSX index, Rogers Communications pays a dividend yield of 2.82% and matches it with a future earnings growth of 7.9% annually over the next one to three years. However, down 0.63% in the last five days, it's perhaps not getting as much love at the moment as it could be.

With a one-year past earnings growth of 20.3% that beats a 4.2% five-year average, it's got a fairly good track record, although that low half-decade percentage could be higher. When it comes to value, a P/E of 17.8 times earnings is acceptable, though a P/B of 4.5 times book denotes overvaluation when it comes to actual assets. Investors with a low tolerance for risk may want to avoid this stock, however, with its balance sheet let down by debt of 202.3% of net worth.

Magna International (TSX:MG)(NYSE:MGA)

Down 3.02% in the last five days, but showing a recovery since the start of December, Magna International is still a long way off its mid-2018 peak around the $86 point. One of the best auto stocks on the TSX index, and with strong ties to the burgeoning Asian electric car market, Magna International managed to ride out a rough year with a one-year past earnings growth of 13.9%, rounding out a five-year average of 7.6%.

With an acceptable balance sheet carrying debt of 40.3% of net worth and attractive valuation signalled by a low P/E of 7.3 times earnings and market-weight P/B of 1.5 times book, Magna International pays a dividend yield of 2.63%. However, an expected -5.6% drop in earnings could be a cause for concern among passive income investors who like some growth with their dividends.

Kirkland Lake Gold (TSX:KL)(NYSE:KL)

An upward trending metals and mining stock TSX index, Kirkland Lake Gold is up 2.97% in the last five days. With a five-year beta of 1.32 relative to the Canadian metals and mining industry it's fairly insulated against wild oscillations, and after a good year that saw a growth in earnings of 110.2% it's looking very positive. A 15.6% expected annual growth in earnings continues the positivity of a five-year average of 69.7%.

It's got a squeaky clean balance sheet, too, with low debt of just 2.2% of net worth. However, a low dividend yield of 0.36%, combined with overvaluation and more inside selling than buying in the last three months raises a couple of red flags.

The bottom line

With a P/E of 30.6 times earnings and P/B of 5.7 times book, Kirkland Lake Gold is not the best valued stock on the TSX index at the moment. However, it's got some growth ahead, and offers either a below-par dividend pick or a decent capital gains play. In the meantime, the auto stock and the telecoms pick would make fairly decent additions to an RRSP or other form of stock portfolio provided you can look past low or negative expected growth in earnings.

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2. NYSE:RCI (Rogers Communications Inc.)
3. TSX:MG (Magna International Inc.)
4. TSX:RCI.B (Rogers Communications Inc.)

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