How Do These Top-Tier Dividend Stocks Stack Up?

Description

Growth-at-reasonable-price (GARP) investing is a solid approach to pick dividend stocks, especially at a time of heightened uncertainty in the markets. Going for a mix of low-market variables and high expected annual growth in earnings makes a lot of sense for the buy-and-hold investor, and if passive income can be had along the way, then so much the better. Let's dive into four TSX index dividend stocks that could satisfy these criteria.

Power Financial (TSX:PWF)

With a P/E of 10 times earnings and P/B of 1.1 times book signalling borderline undervaluation, Power Financial is looking at a 43% expected annual growth in earnings. A dividend yield of 6.19% is on offer, making for a tempting play for anyone with a passive-income portfolio in need of extra financial exposure. It may have a had a tough time of it in terms of earnings, with a negative year-on-year growth rate, but it looks as though those fortunes are set to be reversed in the next one to three years.

West Fraser Timber (TSX:WFT)

Despite lumber tariffs and an uncertain market, West Fraser Timber has proved itself one of the sturdiest forest product stocks on the TSX index, boasting a solid one-year past earnings growth of 35.9%. The company has also shown that it can make good use of shareholders' funds, indicated by a substantial 28% past-year ROE.

More inside buying than selling of West Fraser Timber shares has taken place in the last three months, with attractive valuation signalled by a low P/E of 6.7 times earnings and a P/B of 1.7 times book that's only a little above market weight. A healthy balance sheet with a debt level of 26% of net worth and a dividend yield of 1.1% add to the reasons to buy.

E-L Financial (TSX:ELF)

Undervaluation is clearly defined in this stock, with a P/E of 6.3 times earnings and P/B of 0.6 times book coming in way below the TSX index averages. Up 3.34% in the last five days at the time of writing, it's a popular pick, though its dividend yield of 0.62% and so-so 9.8% expected annual growth in earnings aren't the most exciting figures. Still, they qualify this as a bargain stock with some growth.

National Bank of Canada (TSX:NA)

A one-year past earnings growth of 10.1% beats the Canadian banking industry average of 8.9% for the same period, while five-year average past earnings growth shook out at 7.5%, just missing the industry status quo of 7.9% for the half-decade. A P/E of 10.3 times earnings and P/B of 1.8 times book signal decent valuation, though 3.9% expected annual growth in earnings is fairly low. A dividend yield of 4.19% is on offer, however, making for a suitable all-rounder.

The bottom line

West Fraser Timber's five-year average past earnings growth of 29.5% is let down by a negative outlook in expected earnings, counting it out as a strict GARP choice. Meanwhile, National Bank of Canada's growth, while in line with the banking industry, is fairly negligible. E-L Financial doesn't fare much better, leaving the strongest pick as Power Financial with its attractive valuation and decent expected annual growth in earnings.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. TSX:ELF (E-L Financial Corporation Limited)
2. TSX:NA (National Bank of Canada)
3. TSX:WFG (West Fraser Timber Co. Ltd.)

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