Avoiding Canadian Materials Stocks? Try These 3 Dividend-Payers!

Description

The data-focused investor looking for solid materials stocks for a long-term position have plenty to get excited about at the moment. However, finding more than a few materials stocks on the TSX index that cover all bases is a tough task; while a dividend yield might be high in one stock, its outlook may be dim, while another stock may have a great track record, but high debt. Still, let's take a look at four of the best.

Lundin Mining (TSX:LUN)

One of the top precious metals stocks on the TSX index, Lundin Mining belongs on any mining investor's wish list. Its negative one-year past earnings rate is mitigated by an average half-decade of growth at 21.6%, while a near-flawless balance sheet is illustrated by just 0.3% of debt. While Lundin Mining insiders have only gotten rid of shares recently, this dividend-paying stock has a decent outlook.

Methanex (TSX:MX)(NASDAQ:MEOH)

The TSX index's premier methanol stock, Menthanex's business extends beyond the Americas into Europe and the Asia Pacific region. Inside selling over the last few months may count this one out for peer-pressured buyers, but while a one-year past earnings growth of 80% outperforms the Canadian chemicals average of 12.4%, Methanex's 36% past-year ROE is also significant for the market, indicating a solid buy.

A caution note is struck by a projected drop of 26.9% in earnings, though a 26% ROE over the next three years suggests that the juice hasn't entirely been drained from this ticker just yet. The passive income investor has a dividend yield of 2.21% to consider in the meantime, while a P/E of 8.4 times earnings suggests good value for money.

Norbord (TSX:NBD)(NYSE:OSB)

With a proven recent track record and acceptable balance sheet, Norbord is one of the healthiest material all-rounders on the TSX index, plus it pays a decent dividend of 6.63%, In terms of value, it's interesting to see multiples like a P/E of 6.2 matched with a P/B of 2.6, with the former signalling undervaluation, and the latter marching toward double the market average.

In terms of past performance, a negative one-year past earnings rate is rescued by a five-year average past earnings growth of 56.4%, while a 45% past-year ROE shows that 2018 wasn't all bad for this Canadian forest products ticker. Indeed, a return on equity like that should place Norbord squarely on the radar for any quality-focused investor looking for a forest product stock.

A debt level of 66.8% of net worth is inside the danger zone, though it may pass as adequate for a casual long-term investor not overly concerned with debt, especially since this level represents a reduction over the last five years and is well covered by both operating cash flow and earnings.

The bottom line

Lundin Mining's dividend yield of 1.83% pairs nicely with its 25.7% expected annual growth in earnings, while, trading at book price, its P/E of 18.3 and PEG of 0.7 times growth indicated attractive valuation. Despite Norbord's high yield, its projected drop of more than 30% in earnings is a red flag. Looking past debt of 91.6% and a P/B of 3 times book, Methanex comes a close second behind Lundin Mining.

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TICKERS GLOBAL

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2. TSX:LUN (Lundin Mining Corporation)
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