



3 Dividend Stocks Worth Buying in 2019

Description

Dividend stocks are two-sided coins.

On one hand, they provide you with a source of income. On the other hand, they reduce the amount of capital the company can use to pay off debt and reinvest to fuel growth.

This tradeoff is why picking the right dividend stocks is so important.

If a company decides to protect its dividend above all else, the business could shrink due to a lopsided balance sheet or lack of growth opportunities. Getting a nice dividend isn't rewarding if the share price slumps.

If you're looking for solid businesses capable of both growing *and* paying a respectable dividend, take a close look at these three stocks.

Methanex ([TSX:MX](#))([NASDAQ:MEOH](#))

Methanex is the world's largest methanol producer. That's a big advantage in an industry where scale can make or break a business. With a 14% market share, the company is twice as large as its nearest competitor.

Having scale matters because it allows Methanex to have the lowest costs in a largely commoditized market.

For example, the company can afford to have a dedicated tanker fleet to service its global network of production sites and terminals. This cuts out the middleman, giving Methanex valuable cost savings on distribution.

Scale also allows Methanex to fetch higher prices than its competitors. When market conditions change, the company can shift its production and distribution quickly to target areas with rising demand or sudden supply shortages.

Commodities can be volatile from quarter to quarter, but management remains optimistic regarding its dominant market position. Last quarter, the company boosted its quarterly dividend by 9% to \$0.36 per share.

Following the raise, shares yield around 3%.

Magna International ([TSX:MG](#))([NYSE:MGA](#))

Currently, Magna trades like an industrial stock at less than 10 times earnings. The stock price is at the whims of seasonal shifts in automobile sales. That dynamic could change soon.

If you want to [bet](#) on game-changing trends like electric cars and self-driving vehicles, Magna looks like an ideal way to capitalize.

The company specializes in helping automakers produce their vehicles. It's assisted with more than half of the cars on the road today. As cars go electric and autonomous, Magna will be there to reap the rewards.

For example, electric vehicles are expected to comprise nearly one-quarter of new Chinese vehicles by 2030. Magna's joint venture with Hasco can meet this market demand directly.

The company also has deals with big brands like **LYFT** and BMW to provide critical self-driving technology.

Over the next decade, Magna is set to grow immensely, even if the market hasn't realized it yet. That could mean big increases to the company's 3.3% dividend.

Laurentian Bank ([TSX:LB](#))

Fool contributor Victoria Hetherington thinks Laurentian Bank is a great pick for cautious investors. Armed with a solid 6.2% dividend, this stock could be the perfect place to weather out a potential market storm.

"A solid non-Big Six banker to add to the financials section of a portfolio, its \$2 billion market cap and beta of 0.99 relative to the TSX index make for a fairly defensive play," notes Hetherington.

Some investors have noted that the company has a high payout ratio versus its peers, but management believes this is simply an optical issue that will work itself over time.

"I would say from a dividend perspective, we're in the middle of a transformation which should result in improved efficiency and profitability," said the bank's CEO on its latest conference call. "So, I'm sure we have a high payout ratio right now. But as profitability returns, the expectation is that the dividend

payout goes back to its range.”

Trading at a cheaper valuation than its larger competitors, not to mention a higher dividend yield, Laurentian Bank looks like an under-the-radar dividend pick.

CATEGORY

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TICKERS GLOBAL

1. NASDAQ:MEOH (Methanex Corporation)
2. NYSE:MGA (Magna International Inc.)
3. TSX:LB (Laurentian Bank of Canada)
4. TSX:MG (Magna International Inc.)
5. TSX:MX (Methanex Corporation)

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