This Dividend Tech Stock Dip Is a Fantastic Buy

Description

Not enough Canadian retirees take control of their retirement. Self-investing is not as hard as it sounds. With information being so accessible through the internet, there is no excuse for keeping your savings in traditional cash savings accounts today.

Every Canadian should own some stocks in a self-managed Tax-Free Savings Account. There are many secure options that won't keep you awake at night. **Information Services** (TSX:ISV), for example, is one of those stocks!

Information Services serves Canada by recording land title and registration transactions. Information Services has given investors stable protection on their initial investment along with strong dividend returns.

High yielding, but stagnant dividend return

Information Services gives shareholders a dividend of $0.20 per share at a yield of 4.92%. The only downside about the dividend is that it has been tragically stable for the past six years.

The company's last and sole increase in the dividend payment was a $0.02 increase in December 2013 from $0.18 per share.

Investors typically want to see growing dividend payouts. Stocks that increase their dividend payments to shareholders within affordable limits see the most rise in stock price. Similarly, stagnant or decreasing dividend amounts provide investors with less incentive to invest in the stock.

A positive relationship between dividends and stock price isn't always the case, however. Sometimes, a company will try to regain shareholder loyalty by increasing dividends during hard times to secure its cash position. In these instances, the stock may not be the best purchase a Canadian investor can make.

Stagnant dividends also signal other problems at the company. For starters, revenue and earnings may not have very high forecasts, and they could even be negative.

If this is the case, shareholders may doubt the sustainability of the dividend and will be less inclined to increase their positions in the stock. Less demand will then drag down the price of the stock.

Profitable business with falling profit margins

Investors measure profitability in many ways, but a favourite method is by looking at the levered free cash flow at a company. The levered free cash flow is a good way for shareholders to see the returns leftover after the company services its debt.

Interest payments on loans cut into shareholder returns, which means that stocks with lower debt burdens tend to fare better.

Information Services reports a levered free cash flow of just under $3 million. This is not a high levered free cash flow, but it's much better than many popular technology stocks with negative levered free cash flow. Although the levered free cash flow may not be something to worry about, the stock has reported falling profit margins.

One thing that Information Services has going for it is the rise of data science. Data science is taking over every industry, including real estate.

Soon, the data available through Information Services will become even more valuable as brokers and enterprises that provide real estate solutions to expand upon their data science capabilities.

Canadians should consider this stock a good buy because the information services industry is going to be even more prominent in the next decade than it was before the rise of machine learning.

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