It’s Unanimous: These Dividend Aristocrats Are a “Buy”

Description

It’s rare for analysts to see eye to eye on a certain stock. There are 250 stocks included the **S&P/TSX Composite Index** that make up about 70% of the total market capitalization on the **TSX.**

The ratings on these stocks vary widely, and as of writing there are only 14 companies on the Index with a unanimous “buy”rating.

Of those, there are only two Canadian Dividend Aristocrats: **George Weston** (TSX:WN) and **Brookfield Property Partners** (TSX:BPY-UN)(NASDAQ:BPY).

All five analysts covering Brookfield are bullish on the company, and even more impressive is that all 16 analysts covering George Weston rate it a “buy.” Given the number of analysts, the fact that all 16 are bullish on the company is quite rare.

What makes these company’s a buy today? Let’s take a look.

George Weston Limited

One of the most recognizable names in the industry, George Weston owns a 56% stake in **Loblaw** (TSX:L) with a $16.5 billion stake in **Choice Properties REIT** (TSX:CHP.UN). Over the past five years, the company’s stock price hasn’t impressed.

It has averaged just 1.67% annual growth and its 2% yield certainly does not make up for the lack of capital appreciation. So why all the fuss today?

One area in which it stands out is that of valuation. Leaving aside its trailing PE of 334, which was impacted by one-time events, it’s trading at a cheap 14 times forward earnings. This is an 11% discount to the industry average and is also below its five-year historical average of 15.26 times earnings.

Further, it is only trading at 0.3 times sales, which is well below the industry average of 0.5 times sales.

Analysts have a one-year price target of $119.80 per share, which implies 11% upside from today's price.

Although the company's valuation appears to be attractive, don't expect outsized gains. Consensus is for revenue growth in the low single digits and for earnings to grow by an average of 5.70% annually.

Capital appreciation in the low teens appears to be the ceiling for this company. This isn't necessarily a bad thing, however. In times of uncertainty, George Weston looks like an attractive consumer defensive stock.

Brookfield Property Partners

It seems that whenever a screen is done, at least one of the Brookfield companies makes an appearance. Brookfield Property Partners is one of the largest commercial real estate companies in the world with approximately $85 billion in assets.

Unlike its brethren, however, this Brookfield company has been a dud. Over the past five years, its share price has lost approximately 2% of its value. Even the much maligned **S&P/TSX Composite Index** has outperformed, returning 18.15% over the same period.

Given analysts' bullish sentiment, perhaps the tide is finally about to turn. BPP L.P. is trading at a cheap 13.58 times earnings and at only 0.66 times book value.

This is well below the industry average of 47 times earnings and 3.07 times book value. Analysts have a one-year price target of $27.54 per share, which implies 6.5% upside from today's price of $25.84 per share at writing.

So what's holding the company back? Lack of growth. Over the past five years, Brookfield's annual earnings growth rate is negative 28.28%.

This in large part explains the lack of capital appreciation and low valuations. The company also has a significant portfolio of its assets tied into shopping malls — which isn't a great thing in the current retail environment.

In this case, however, I don't necessarily agree with analysts. While there's no question the company is cheap, it's hard to justify much higher valuations based on non-existent growth rates.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:BPY.UN (Brookfield Property Partners)
2. TSX:WN (George Weston Limited)

PARTNER-FEEDS

1. Business Insider
2. Msn
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mlitalien