3 Dividend Aristocrats to Buy at a Discount

Description

Dividend stocks have traditionally been evaluated based on the yield they offer. And while it’s a very straightforward metric to look at, it doesn’t show you the full picture. It’s a good idea to also check the dividend history of the company. How long has it been paying its dividends? Is it increasing the dividend payouts, or are they fixed? Is the high yield just a by-product of a poorly performing stock? What’s the payout ratio?

Answers to questions like these will give you a picture of how secure the dividend stock is. There are also many other metrics involved, and you can evaluate stocks using a variety of traditional or technical analysis techniques.

If that sounds like a lot of work, then know that you can avoid the hassle by choosing from among the dividend aristocrats. An aristocrat has usually earned its title with a stellar dividend history and offers a lot of security when it comes to dividends.

A supermarket company

Metro (TSX:MRU) is a supermarket company that operates primarily in Quebec and Ontario. The company has two major lines of business: food and pharmacy. It has over 950 food stores and about 650 drugstores. Metro has been one of the most consistently stable stocks and not just in terms of dividends. Its stock price has also been growing steadily for about eight years.

Currently, the company is trading at $50 per share. And that’s almost a 12% discount from the yearly high of the stock’s value. The company has also grown its dividends continuously. Since 2015, it has grown the payouts by 71%. The payout ratio is also very stable, at 30%.

Currently, the yield stands at a very modest 1.73%, but the chances of your payouts doubling up in seven years are relatively high.

A financial company

Intact Financial Corp (TSX:IFC) is an even older dividend aristocrat. The company has increased its payouts for 14 years. It's the largest property and causality insurance provider in the country and is also spreading its reach to other countries. The company works primarily under six different banners, each catering to a different clientele.

The company offers a yield of just 2.6% and has grown its payouts by about 53% in the past five years. The payout ratio is dependable, at 60%. What you lose in yield if you invest in this company will be more than made up by its growth.

An industrial equipment company

Finning (TSX:FTT) is the world's largest Caterpillar machinery and equipment dealer. It has been in business for over eight decades and has been a dividend aristocrat for about 18 years. The company is trading at its five-year low, or $12.8 per share. That has turned this aristocrat's yield into a very juicy 6%. The payout ratio is 55%.

Currently, it's one of the most undervalued aristocrats in the market. And despite its rough market value condition, the company does have a very stable centre. When the global economy starts re-climbing and into a new era of industrial growth, Finning might pick up the pace as well.

Foolish takeaway

Dividend aristocrats offer relative stability to your investment portfolio. Based on your investment goals, you may choose from the selection of aristocrats based on their history, their payout growth, or their current yield.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:FTT (Finning International Inc.)
2. TSX:IFC (Intact Financial Corporation)
3. TSX:MRU (Metro Inc.)

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1. Business Insider
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