This 15% Dividend Stock Can Double Your Money

Description

The market crash showed no mercy to many TSX dividend stocks, including industries like retail real estate. Any stock that has any meaningful exposure to retail properties saw a huge cut in their valuations.

This TSX dividend stock yields nearly 15%

Brookfield Property Partners (TSX:BPY.UN)(NASDAQ:BPY) stock lost more than half of its market value since February. It's absolutely ridiculous how cheap the stock is; it now yields close to 15%.

Brookfield Property's big dividend comes from its global real estate portfolio. Last year, it generated about 35% of its profits from its core office assets, 40% from its core retail assets, and 25% from its opportunistic portfolio.

The company's opportunistic portfolio consists of a diverse range of real estate related assets in value-adding multifamily, real estate finance, etc. This portfolio is expected to generate an average rate of return of about 24% from its investment funds. This would equate to doubling the original invested capital.

Retail exposure is the culprit

The culprit of Brookfield Property's big price drop is its retail portfolio. Retail was already a drag on the stock before the COVID-19 pandemic hit, as there were a large number of retailer bankruptcies in 2019.

However, the company still managed to increase its cash distribution last year with a payout ratio of 84%. That said, without accounting for the booked gains from its opportunistic portfolio, the payout ratio based on funds from operations alone was 95%.

What a nice dividend BPY has!

The 2019 payout ratio is cutting it too close. In this economic downturn, it would be difficult for Brookfield Property to sell its opportunistic assets at a good price. Therefore, it would be prudent for the TSX dividend stock to reduce its payout to preserve capital. However, it doesn't have to.

Brookfield Property paid out US$1.3 billion of dividends in 2019, while it has about US$6 billion of liquidity in undrawn credit lines and about US$1.6 billion of cash on hand.

Even if the TSX dividend stock cuts its dividend by 60%, it'd still yield roughly 5.9% from an investment today.

The TSX dividend stock can double your money

At the end of 2019, Brookfield Property had a book value of US$29.72 per share. Even though there will be some near-term compression on its real estate assets (particularly in its retail properties), the +50% selloff is completely overdone.

As the chart below shows, the TSX dividend stock trades at about 29% book value. Even assuming a fair price to book of 0.60, the stock is still half price.

BPY Price to Book Value data by YCharts.

Therefore, the stock can double your money from current levels. But that's not all. As mentionedearlier, the stock also offers a nice dividend that'll add to its total returns.

If the stock takes three years to double in price, it'll deliver total returns of 117-130%. The lower percentage assumes a dividend cut of 60% with the new dividend staying there for three years. I believe this to be a conservative estimate.

The Foolish takeaway

Income, value, and total return investors should give Brookfield Property a closer look. The TSX dividend stock offers a high yield with a stock price that can double your money over the next few years.

Moreover, in a normal market, the stock will pay a yield of close to 15% based on today's dirt-cheap stock price! That'd be double the average returns of the TSX market!

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing
4. Stocks for Beginners

TICKERS GLOBAL

1. TSX:BPY.UN (Brookfield Property Partners)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Coronavirus
2. Dividend Stocks
3. Investing
4. Stocks for Beginners

Date
2025/08/21
Date Created
2020/05/09
Author
kayng