3 Fairly Valued Dividend Stocks With Decent Yields

Description

It doesn't matter if you are looking for dividend stocks or growth stocks; valuation should play a key role in your choice of assets. Ideally, you should find undervalued stocks that offer powerful dividends and amazing growth potential, but we don't live in an ideal world. And even though this combo is easy enough to find during market crashes, it's challenging to come by when the market is stable.

Still, if you stick to dividend stocks and are willing to pay a relatively "fair" price for an asset, there are three stocks you might consider looking into.

An electric service company

Utility businesses are considered significantly more stable than the broad market and most other businesses because of their reliable income potential. The same sense of security comes with Toronto-based **Hydro One** (TSX:H), an electric service company that has recently joined the ranks of aristocrats by raising its dividends for five consecutive years. The yield is 3.4% at the moment.

The dividends seem secure because of more than just the nature of business. The payout ratio has stayed pretty stable for the last few years and is currently 33.5%. The company is currently trading at a price-to-earnings of 10.2 and a price-to-book of 1.7. Despite the fact that it has been growing quite consistently since 2019 and has returned about 53% since then.

An insurance company

Not all insurance companies — the same companies that help us feel financially secure about life, property, and health — offer the same level of security when it comes to their own stocks. But **Manulife** (TSX:MFC)(NYSE:MFC) can be considered an exception. The company doesn't offer considerable capital appreciation potential, but it has a generous yield of 4.6%, and its status as an aristocrat promise that the payouts will increase year after year.

This aristocrat is undervalued right now, trading at a price-to-earnings ratio of nine and price-to-book ratio of just one. The revenues have taken a turn for the worst in the first quarter of 2020, but the company is expected to turn things around going forward. It has an impressive national and international presence and is growing its business quite extensively in some foreign markets.

A construction company

Construction companies hitched a ride on the momentum of the real estate sector. **Bird Construction** (TSX:BDT) grew over 144% from its crash valuation to its recent peak, but the stock is normalizing now and is currently trading at a 14% discount. The bargain reaches the valuation as well. Since the company is trading at a price-to-earnings ratio of 9.7 and a price-to-book ratio of 2.1.

Bird Construction is still offering an attractive 4.5% yield, which might become even more attractive if the stock slides down even further. The company recently got significantly more sizeable and expanded both its reach and construction capabilities through a merger. It has an impressive history and caters to the construction needs of a wide variety of sectors and industries.

Foolish takeaway

Undervalued dividend stocks can be a potent addition to your portfolio, and if you buy when the stock is both under or fairly valued as well as discounted, you get to lock in a better yield as well. And if the stock also offers a decent capital appreciation potential, that's just the cherry on top.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:MFC (Manulife Financial Corporation)
2. TSX:BDT (Bird Construction Inc.)
3. TSX:H (Hydro One Limited)
4. TSX:MFC (Manulife Financial Corporation)

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