Passive Income: These 3 Stocks Just Became Incredibly Cheap

Description

If you want to buy passive-income stocks, now is the perfect time. Even quality dividend-paying stocks have started to sell off. As prices pull back, the cash dividend returns on your cost basis (or also known as the yield) increases. Often, this is a part of the market valuing higher risk (and potentially lower returns) on the stock.

In the short term, this is certainly a risk. However, if you can be a contrarian and afford a long investment timeline, you can pick up some stocks with elevated dividends and attractive valuations today. Here are three passive-income stocks that look very cheap right now.

A tech stock for passive income

Sylogist (TSX:SYZ) is a Canadian technology stock trading with a 7.5% dividend yield today. It is not often you can find a tech stock with such a high dividend. However, after a 50% decline in 2022, this stock looks very cheap.

Sylogist provides mission-critical enterprise software solutions for municipalities, education institutions, and charities. It generates high earnings margins and attractive recurring revenues that support its dividend.

This company is completing a turnaround strategy. It has a new CEO and is investing to grow and sustain its long-term earnings potential. It's a case of short-term pain for long-term gain.

It trades with an enterprise value-to-EBITDA (EV/EBITDA) ratio of 9.5. This passive-income stock hasn't been this cheap since the March 2020 crash. While this stock has its risks, it could also have significant upside when market sentiment recovers.

A growth stock for passive income

Another small-cap growth stock with an attractive passive-income stream is **goeasy** (TSX:GSY). At

$98 per share, goeasy stock has lost 45% of its value this year. Today, it only trades for 7.5 times earnings. Likewise, it pays out a 3.7% dividend yield. That is far above its five-year average yield of 1.99%.

goeasy is one of Canada's largest non-prime lenders. Given the stock market is worried about a recession and rising interest rates, most financial stocks have pulled back. goeasy had a stunning year of growth last year. Consequently, comparable results in 2022 might be challenged.

Despite that, the company has handled several economic downturns before. Over 17 years, this passive-income stock has still earned a 700% capital return. It has a history of strong double-digit dividend growth. If you can look past the current concerns, this could be an incredible buying opportunity.

A real estate stock with a high yield

On fears of interest rates increasing, real estate stocks have pulled back severely. While this is concerning, many of these stocks have long-dated debt that is locked in with very low rates. Consequently, rising interest rates have only limited impact on their cash flows (at least in the near term).

One passive-income stock that looks interesting today is **Dream Industrial REIT** (TSX:DIR.UN). It owns a large portfolio of industrial properties across North America and Europe. These are well-located properties with a mix of diverse tenants and uses.

Currently, it is yielding 5.87%! It pays a $0.05833 distribution every month. It has been earning around 10% annual cash flow per unit growth over the past several years.

Likewise, it has a very good balance sheet with very low-debt and fixed low interest rates. Yet it is one of the cheapest industrial real estate stocks you can find. For modest growth, income, and value, this is a solid pick for the long term.

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3. TSX:SYZ (Sylogist Ltd.)

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Date
2025/06/28
Date Created
2022/06/21
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