3 Dividend Heavyweights to Buy at an Affordable Price

Description

Yield and sustainability potential are usually the first two things people look for in a dividend stock. If the yield is high enough, the stock has a history of sustaining its payouts, and its financials look healthy enough (along with the payout ratio) that it may maintain its dividends in the future, it might not matter whether the stock is a small-cap or mid-cap.

Still, choosing heavyweight industry leaders can be an intelligent thing to do. This can be considered an additional endorsement of their stability and, by extension, their dividend sustainability. Here are three heavyweights you can buy at an affordable price right now.

A REIT

SmartCentres REIT (TSX:SRU.UN) is a smart pick from the Canadian REIT asset pool for several reasons. It is one of the most prominent retail REITs in the country, and a hefty number of its retail properties are anchored by **Walmart**, making them more attractive for other retailers thanks to the footfall a vendor like Walmart attracts.

But what makes companies heavyweights is how well they manage their assets. SmartCentres has a return-on-equity ratio of 23.6, more than double the 10 considered healthy for a REIT. ROE is a measure of how well a company manages its equity to generate income, calculated by dividing net income by shareholder's equity.

As part of the of its diversification strategy, SmartCentres is repositioning itself, and mixed-use societies are its next focus. The REIT has a substantial stake in one large project, and if it succeeds, it may push the REIT's inherent value up quite rapidly, and the stock might follow. Until then, you can buy it for its healthy dividends and an attractive 6.4% yield currently available at a discounted valuation and price.

A financial service holding company

Winnipeg-based **Great-West Lifeco** (TSX:GWO), with a market cap of $29.7 billion, is a holding company with four major underlying businesses, two of which are life insurance/life assurance businesses. The other two businesses are involved in savings plans and investment management. Collectively, the assets under Great-West Lifeco's management are worth about $2.3 trillion.

The deviation from the life insurance/assurance business gives the company an edge over pure life insurance companies and more room for growth. The insurer's ROE of 14.5% in Q2 2022 is very respectable against an 8% average for the life insurance industry.

The holding company is currently trading at a price-to-earnings of about 9.4 and is offering a healthy dividend yield of 6.14%. The high yield and undervaluation can be traced back to its price discount of 22.8% (from its last peak).

An investment company

IGM Financial (TSX:IGM) conducts its business through three underlying companies, each with a different area of focus, including wealth management, asset management, and strategic investments. The company is also connected to Great-West Lifeco, as they are both under the same umbrella – **Power Corporation of Canada**. The ROE on it's $268 billion assets under management is around 17%.

IGM is currently trading at a 29% discount from its last peak, and it's modestly undervalued as well, with a price-to-earnings of just 9. The discount has also benefited investors by pushing the yield to a juicy number – 6.23%. And since the stock has mostly been cyclical in the past few years, the discount may enhance the recovery-based growth potential.

Foolish takeaway

Even though all three can be considered dividend heavyweights, there is only one large-cap stock here – Great-West. The other two are classified as mid-cap. Each has grown into a sizeable company through operating efficiency. All three have healthy financials and a profitability streak of at least 10 years. They currently have attractive valuations and are offering juicy yields.

CATEGORY

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2. Investing

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2. TSX:IGM (IGM Financial Inc.)
3. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

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