



## 2 Stocks With Strong Dividends and Growing Earnings

### Description

With the TSX approaching its all-time high of 15,073 reached in 2008, it can be difficult to uncover quality companies that offer investors a strong, safe dividend and the potential for market-beating returns. Always up for a challenge, I set out to find two reasonably priced stocks that offer a dividend yield greater than 3%, a payout ratio less than 50%, and earnings-per-share growth greater than 10%.

The payout ratio, expressed as a percentage, is the portion of net income paid out as dividends to common shareholders — below 50% is usually a good indication that the dividend is well funded, and a future distribution cut unlikely. And strong, consistent EPS growth should help propel the stock price higher and contribute to delivering market-beating returns for investors.

Here are two companies that found their way onto my watch list based upon the above criteria.

### Bank of Nova Scotia

The **Bank of Nova Scotia** ([TSX: BNS](#))([NYSE: BNS](#)) is Canada's third largest bank by market capitalization, and an excellent choice for investors seeking a large company with strong fundamentals, solid dividend, and excellent growth prospects.

With a current dividend yield of 3.8%, and a payout ratio of 46%, investors should be confident that their dividend income will continue, and likely grow, over time. The Bank of Nova Scotia is also one of Canada's most profitable banks, with a profit margin of nearly 31%. And its delivered annual EPS growth averaging 15% over the past five years which bodes well — both in terms of stock price appreciation and future dividend raises.

The Bank of Nova Scotia is fairly valued, with both trailing and forward price to earnings ratios at, or near, their five-year averages.

### National Bank of Canada

The principal bank in Quebec, and the sixth largest in Canada, the **National Bank of Canada** ([TSX: NA](#)) has branches in most Canadian provinces and serves approximately 2.4 million customers.

An annual dividend rate of \$1.84 per share equates to a yield of 4%. And with a very modest payout ratio of just 38%, investors should be optimistic about future dividend increases. Over the past five years, annual EPS growth has averaged nearly 14%. An attractive valuation, with trailing and forward price to earnings ratios of 10.1 and 10.4 respectively, adds to the appeal of an investment in the National Bank of Canada.

### Next step

A screen which identifies companies that meet specific investment criteria is a great way to uncover new investment ideas. However, it is just the first step, and should lead investors towards a deeper evaluation before making a final investment decision. Based upon my investment criteria, both the Bank of Nova Scotia and the National Bank of Canada deserve a closer look, and are worthy additions to an investor's watch list.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. TSX:BNS (Bank Of Nova Scotia)
3. TSX:NA (National Bank of Canada)

### Category

1. Investing

### Date

2025/08/23

### Date Created

2014/05/16

### Author

jklacey

default watermark