Get High Returns From 3 Safe Dividend Stocks

Description

If you're looking for high double-digit returns from safe investments, you've come to the right place. All of these companies have a history of paying dividends, and have survived and thrived in two recessions.

Canadian Pacific Railway Limited (TSX:CP)(NYSE:CP) is a needed part of the economy in delivering goods by way of rail. On the other hand, **Enbridge Inc.** (TSX:ENB)(NYSE:ENB) transports oil and gas, and is building green-energy assets as a part of its diversified portfolio. Lastly, **Canadian Western Bank's** (TSX:CWB) stock, in my opinion, has been wrongly sold off due to the oil price plummet.

Canadian Pacific Railway

Canadian Pacific has an investable-grade S&P credit rating of BBB+, as well as manageable debt levels.

Its 14,800 miles of railroad tracks across Canada and in parts of the United States are impossible to replicate, and therefore bars new entrants from the railroad transportation business.

With earnings growth expected to be in the double digits around 19% in the foreseeable future, its shares are fairly valued with a price-to-earnings ratio (P/E) of over 21. Fast forward to three to five years in the future; investors buying shares around $206 per share today can expect annualized returns of about 14%.

Enbridge

At the end of June 2008 Enbridge traded at $22 per share. Today it sits at $57, indicating annualized returns of 14.6% from price appreciation alone. Adding in the 3% dividend implies a return rate of 17.6% per year.

Earnings growth did not only encourage Enbridge's stock price appreciation, but its annualized payout also would rise at a compounded annual growth rate of 16% from 2008's payout of $0.66 per share to

$1.86 per share by the end of this year.

With Enbridge's excellent history of business performance, leading to price appreciation and ever-increasing payouts for shareholders, I find Enbridge shares attractive at today's price of about $57 per share.

The rate of return for the next few years is estimated to be around 17%, with Enbridge's forecast of dividends growing 14-16% up to 2018.

Canadian Western Bank

Even though Canadian Western's business is concentrated in the western part of Canada, the oil price plummet has had little effect on its business performance.

In fact, management estimates 4% earnings growth for the year. Consensus analyst estimates have been less optimistic, estimating an earnings decline of 3% for this year. Even if the latter comes true, it still doesn't warrant the bank's 33% decline from its 52-week high of $43 per share to its current price of under $29.

If oil price were to show any sign of recovery, Canadian Western's future would look rosy again. Patient and bold investors can accumulate shares of this deeply discounted bank that's trading at a multiple of under 11.

You'd get 3% yield to wait until shares traded at a normal multiple of 15 or over $40, indicating a return of 38% without counting dividends received.

In conclusion

Companies can't pay out dividends every year unless their businesses can generate stable cash flows. All three of the companies above have been paying dividends. Actually, Enbridge has increased its dividend for 19 years in a row, while Canadian Western Bank has done so for 23 years in a row in terms of annualized payouts.

As a result, investors can be confident that these companies will continue to pay out dividends, while continuing to perform well, leading to double-digit returns for shareholders.

In Canadian Western's case, it's not a matter of growing earnings at a double-digit rate, but of maintaining its current earnings in a low oil price environment. Meanwhile, its shares are selling at double-digit discounts and are up for grabs for dividend and value investors.

CATEGORY

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TICKERS GLOBAL

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