2 Oversold Dividend-Growth Stocks I'd Buy With an Extra $7,000

Description

Top dividend-growth stocks rarely go on sale, but the recent pullback in the market is giving investors a chance to pick up some of Canada's best companies at very attractive prices.

Here are the reasons why I think investors with a bit of cash on the sidelines should consider **Enbridge Inc.** (TSX:ENB)(NYSE:ENB) and **Shaw Communications Inc.** (TSX:SJR.B)(NYSE:SJR).

Enbridge

The rout in oil prices has hit the energy sector hard and Enbridge hasn't been spared the pain, but the 25% slide in the stock price looks overdone.

Why?

Enbridge doesn't produce oil; it simply transports crude from the production company to the customer and charges a fee for providing the service. This means changes in the commodity price do not have a direct impact on revenue.

The stock is down because investors are concerned the bloodbath in the oil patch will result in much lower demand for new pipelines.

In the near term, that is certainly the case, but Enbridge has a large backlog of projects that should carry it through the downturn, and those deals are going to ensure revenue and cash flow increase enough to keep the dividend growth on track.

In fact, Enbridge completed $8 billion in new infrastructure developments in 2015 and has another $18 billion on the go that should be completed by 2019. As a result, Enbridge plans to raise its distribution by as much as 12% per year as those projects go into service.

Enbridge raised the payout by 14% in December, and the current quarterly distribution of $0.53 per share yields 4.6%.

The stock is already beginning to recover, but investors still have a chance to pick up Enbridge at a very reasonable price and collect a great yield while they wait for the energy sector to rebound.

Shaw

Shaw is working through a major transition, and investors have decided to step aside until all of the smoke clears.

The company recently announced a deal to purchase Wind Mobile in a move to compete on a level playing field with **Telus** in western Canada and the other big players across the rest of the country.

This surprised investors and analysts because Shaw had long maintained it wasn't going to get pulled into the wireless game and even sold off some valuable spectrum in the back half of 2015.

Why the change in strategy?

Shaw realized Canadians like to have their TV, Internet, and mobile plans all bundled with the same provider. Cord cutting by cable customers is a problem, and the addition of a mobile offering should help offset the TV exodus while giving Shaw a chance to attract more Internet subscribers who want an all-in-one service provider.

Shaw has also announced plans to sell Shaw Media to **Corus Entertainment**. The deal provides the funds needed to pay for the Wind Mobile acquisition and relieves Shaw of one big risk as Canada moves to a pick-and-pay system for TV subscriptions.

Beginning in March, Canadians will have the opportunity to sign up for a basic $25 TV package and add channels on a pick-and-pay basis. As a result, some shows and channels could be left out in the cold, and that's bad news for content producers.

By unloading the media assets, Shaw can focus on being a service provider.

Shaw pays a monthly dividend that offers a safe 5.1% yield. The stock is trading at a much lower multiple than its peers and could rise significantly once the transition process is complete.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. NYSE:SJR (Shaw Communications Inc.)
3. TSX:ENB (Enbridge Inc.)
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