2 Dividend-Growth Stocks With Big Upside Potential

Description

Some investors prefer dividend-growth names, while others search for value plays. Once in a while the market serves up both in the same stock.

Here are the reasons why I think **SNC-Lavalin Group Inc.** (TSX:SNC) and **Shaw Communications Inc.** (TSX:SJR.B)(NYSE:SJR) should be on your radar.

SNC-Lavalin

Corruption troubles have plagued SNC-Lavalin for the past few years, but the company continues to perform very well, and investors are finally realizing the stock is undervalued.

SNC-Lavalin recently reported adjusted Q4 net income of $66.1 million, or $0.44 per share, from its engineering and construction (E&C) operations, which is up from $22.7 million, or $0.15 per share, in the same period in 2014.

Adjusted earnings from the capital assets, such as toll roads, added another $0.27 per share.

Full-year 2015 E&C earnings came in at $1.34 per share, slightly ahead of expectations. The company finished the year with a project backlog of $12 billion, and another $2 billion has already been added in the first part of 2016.

Management expects 2016 adjusted E&C earnings to be $1.50-1.70 per share.

The company has a long track record of raising its dividend and just hiked the quarterly payout by 4% to $0.26 per share.

SNC-Lavalin is still dealing with fraud charges laid by the RCMP in connection with dodgy deals done in Libya, but the company continues to win key Canadian contracts, including the construction of the new Champlain Bridge in Montreal, a major transit project in Toronto, and a large refurbishment contract for Ontario’s Darlington nuclear plant.

With Canadian infrastructure spending about to ramp up, SNC-Lavalin should see its large project backlog increase even more in the coming years.

The stock has risen significantly off its recent lows, but analysts still see strong upside potential in the name.

Shaw

Shaw is in the middle of a major transition.

The company recently announced plans to buy Wind Mobile in a deal that should enable Shaw to compete on level ground with arch-rival **Telus** in western Canada.

Shaw has been battling a subscriber exodus from its cable TV services, and the addition of the mobile business should help the company retain clients who would prefer to get their TV, Internet, and mobile services from one company under a bundled package.

In order to pay for the Wind Mobile acquisition, Shaw is selling its media assets to **Corus Entertainment**.

The deal relieves Shaw of its radio and television holdings at an opportune time and will enable the company to focus on being a pure-play service provider.

The strategic flip-flop has investors scratching their heads, especially after Shaw recently sold valuable mobile spectrum it had held for a number of years.

As a result, the shares have come down amid all the confusion, but I think investors who step in now could see some strong capital gains once the dust settles on the two deals and the company gets its house in order.

Shaw pays a monthly dividend that offers a yield of 4.9%.

CATEGORY

1. Dividend Stocks
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1. NYSE:SJR (Shaw Communications Inc.)
2. TSX:ATRL (SNC-Lavalin Group)
3. TSX:SJR.B (Shaw Communications)

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