2 Unloved Dividend-Growth Stocks for Your Watch List

Description

The market recovery is in full swing, and investors are looking for dividend-growth opportunities that still have some decent upside potential.

Here are the reasons why I think **SNC-Lavalin Group Inc.** (TSX:SNC) and **Enbridge Inc.** (TSX:ENB)(NYSE:ENB) deserve to be on your radar.

SNC-Lavalin

The company's corruption woes are well known, and SNC-Lavalin is still facing RCMP charges related to some of its dealings in Libya, but management is pushing ahead with reforms, and investors are finally starting to see the value in the name.

SNC-Lavalin recently reported strong Q4 2015 results, and the outlook for 2016 remains solid as new contract wins pad the revenue backlog and a recovery in the oil and gas sector hints at better days for the energy division.

Fears about a possible ban on Canadian contracts have put pressure on the stock, but SNC-Lavalin has secured several major Canadian contracts since the RCMP charges were announced last year. That has some pundits thinking the company is simply too important to ban.

As the new government prepares to unleash a massive wave of infrastructure spending, it is very likely that SNC-Lavalin will win a significant amount of that business, and that's why the stock is starting to move higher again.

The company recently raised the dividend by 4%, and investors should see the annual trend continue.

Investors who bought the stock below $40 per share are already sitting on some nice gains, but SNC-Lavalin still offers decent upside potential.

Enbridge

Investors have fled Enbridge amid worries that the oil and gas rout will put a lid on future growth.

Oil producers have certainly pulled back on expansion plans for the near term, but Enbridge has enough work on the go to keep revenue and cash flow growing, while the energy sector works its way through the current downturn.

The company expects to complete $18 billion in new infrastructure projects by 2019 and recently wrapped up a $2 billion share issue that will provide the cash needed to fund its commercially secured projects through the end of 2017.

As the new assets go into service, revenue and cash flow will increase, and Enbridge says it plans to hike the dividend by 10-12% per year over that time frame. The company has raised its payout for the past 21 years, and the current quarterly distribution of $0.53 per share yields 4.25%.

The stock has bounced off the recent lows but is still significantly below its 12-month high. The energy sector will eventually recover, and there is no shortage of longer-term growth opportunities, either through new development or acquisitions.

CATEGORY

1. Dividend Stocks
2. Investing

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1. Editor's Choice

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ATRL (SNC-Lavalin Group)
3. TSX:ENB (Enbridge Inc.)

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