

## 2 Underrated Dividend-Growth Superstars That Deserve More Attention

### Description

Dividend-growth investing is a terrific strategy that allows investors to get a high, growing dividend along with a nice amount of capital gains over the long term. It's truly the best of both worlds. Let's take a look at two terrific dividend-growth stocks that have flown under the radar of most Canadian investors. These stocks offer a stable dividend that will be intact even during the worst of economic downturns.

#### Stock #1: Laurentian Bank of Canada

**Laurentian Bank of Canada** ([TSX:LB](#)) is one of Canada's smaller banks which operates primarily in the province of Quebec. If you don't live in Quebec, then there's a good chance you've never heard of this name before. The bank has over \$41 billion in total assets and has been increasing its dividend each year over the last decade. There's no question that the company is a dividend-growth superstar, but I don't think it gets the attention it deserves.

The stock currently has a dividend yield of 4% with a payout ratio of 51.9%, which leaves plenty of room for future dividend increases for long-term investors in the stock. Looking back, we can see that the company managed to increase its dividend during the Great Recession with a payout ratio of just 36% in 2008. The stock also fell by a considerable amount during the recession but ended up rebounding very quickly.

Laurentian Bank of Canada probably offers one of the most underrated dividends on the TSX, but what about the valuation?

The stock currently trades at a 12.92 price-to-earnings multiple and a 1.2 price-to-book multiple, both of which are in line with the company's historical average multiples of 11.2 and 1.1, respectively. But the price-to-cash flow multiple is ridiculously undervalued at 1.3 compared to the company's five-year historical average multiple of seven. There's no question that the company will use its cash flow to reward shareholders with an upped dividend each year going forward.

Although the stock had a huge run of 24.5% last year, I believe it is still cheap and would be a terrific add to your income portfolio.

#### Stock #2: National Bank of Canada

**National Bank of Canada** ([TSX:NA](#)) is one of Canada's larger banks which has also had an impressive streak of dividend growth. Although the company didn't increase its dividend during the Great Recession, the dividend was still paid out with a sustainable 53.1% payout ratio. The dividend remained frozen until 2010 but has been a dividend-growth superstar since and is going for its seventh consecutive year of upping its dividend.

The stock enjoyed a huge 40.73% rally last year, but I still believe there's value to be had at current

levels. The price-to-earnings multiple is quite high at 17.19, but the forward price-to-earnings is much more reasonable at 10.5. The price-to-cash flow multiple is quite attractive right now at 3.5, which is lower than the company's five-year historical average multiple of 4.7.

### **Which stock is the better buy today?**

Both stocks are great buys today, but I believe Laurentian Bank of Canada offers better value, especially on a price-to-cash flow basis. The history of dividend growth is also more attractive than that of National of Bank of Canada. If you're looking for an underrated dividend-growth name, then look no further than Laurentian Bank of Canada.

### **CATEGORY**

1. Bank Stocks
2. Investing

### **TICKERS GLOBAL**

1. TSX:LB (Laurentian Bank of Canada)
2. TSX:NA (National Bank of Canada)

### **PARTNER-FEEDS**

1. Msn
2. Yahoo CA

### **Category**

1. Bank Stocks
2. Investing

### **Date**

2025/08/26

### **Date Created**

2017/01/31

### **Author**

joefrenette

default watermark

default watermark