Reinforce Your Portfolio With These 2 Solid Dividend Stocks

Description

As an income investor, you should be looking for rock-solid names that will pay a bountiful dividend through thick and thin. Don't go chasing artificially high-yielding stocks; instead, opt for high-quality businesses with impressive histories of returning value to shareholders over the long term. Here are two terrific dividend stocks to solidify your portfolio today.

A and W Revenue Royalties Income Fund

A and W Revenue Royalties Income Fund (TSX:AW.UN) is a magnificent business that currently offers a generous 4% dividend yield. The fund collects a 3% royalty from all sales at A&W restaurants operating in Canada. The royalty structure is one of the safest ways to give yourself a raise today.

A&W Revenue Royalties Income Fund has kept its dividend intact over the last decade, even during the Financial Crisis. Sure, the company hasn't raised its dividend as much as other dividend stocks out there, but you can bet that the dividend will be safe once the next economic downturn arrives.

The stock has also returned substantial capital gains to shareholders over the last few years, which is rare for a company that pays such a generous dividend yield. The stock soared 82% over the last five years in capital gains alone. Who says you can't have capital gains to go with a fat dividend yield?

Shares of A&W Revenue Royalties Income Fund currently trade at a 26 price-to-earnings multiple and a 5.2 price-to-book multiple, both of which are more expensive than the company's five-year historical average multiples of 18.8 and 3.3, respectively. The stock is expensive because the company is growing quite fast, and the dividend is pretty much guaranteed, even if the market collapses.

There are nearly 870 locations across Canada, and this number is expected to jump by leaps and bounds over the next few years.

Shaw Communications Inc.

Shaw Communications Inc. (TSX:SJR.B)(NYSE:SJR) is an underrated telecom giant that will be a huge disruptor in the Canadian wireless space with its wireless subsidiary Freedom Mobile. Shaw is investing heavily into Freedom Mobile with the hopes that it can steal a huge chunk of the wireless market share.

Many Canadians are fed up with high wireless rates from the Big Three. Freedom Mobile is a breath of fresh air for these Canadians, as it hopes to offer quality services at fair prices. I believe Freedom Mobile will be a huge driver of long-term earnings over the next few years, so investors should seriously consider picking up shares while they’re cheap.

The stock currently pays a 4.26% dividend yield, which is slightly higher than what it normally pays. The company has grown its dividend over the last decade, and there’s no doubt that the dividend will continue to grow at this rapid rate.

Better buy

I would prefer Shaw at current levels. The stock is undervalued and has a ridiculous amount of growth potential as it prepares to take on the Big Three Canadian telecoms. The dividend is also higher and more likely to grow at a faster rate over the next five years.

CATEGORY

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2. TSX:AW.UN (A&W Revenue Royalties Income Fund)
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Author
joefrenette