3 Dividend Stocks With up to 20% Growth Are Ready to Soar

Description

A reasonably safe way to invest is to look for companies that are growing at a decent pace and are priced at a discounted valuation. The fact that the following companies pay safe dividends turns the safety up a notch.

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I believe investors will do well with these dividend stocks in the next 12 months and beyond.

Intertape Polymer Group (TSX:ITP) operates in the specialty packaging industry. It develops, manufactures, and sells specialized tapes, films, and fabrics for industrial and retail use. It has about 63% of its sales from products, which has a top two market position in North America.

After a meaningful dip due partly to the rising costs of polypropylene, the stock saw some strength this week, which indicated it was too cheap to be ignored.

That said, it's still a long way from its fair-value estimate. The analyst at **Bank of Nova Scotia** thinks Intertape will be able to grow its EBITDA by "10-20% per year for a few years," while the stock trades at a discounted multiple of ~16.6.

Further, the analyst consensus from **Thomson Reuters** has a mean 12-month target of US$20.80 per share on the stock, which translates to nearly $25 per share (using a foreign exchange of US$1 to CAD$1.20).

At $19.50 per share, Intertape offers a 3.5% yield and has 28% upside potential, according to the consensus.

Open Text Corp. (TSX:OTEX)(NASDAQ:OTEX) is a good growth story. It is a leading enterprise information management software and cloud services company with global operations. This year, it estimates it will generate ~41% of sales outside the Americas.

The tech company has had double-digit growth over the long term, as it has been making accretive acquisitions that have been good fits for the company. In the last three years, Open Text has increased its dividend per share by north of 15% per year.

Although Open Text only yields ~1.6%, it should be able to grow its dividend at a rate of 10-15%. The stock dipped after its lacklustre quarter. At ~$41, it now trades at a compelling multiple of ~15.3 and has ~23% upside potential in the next 12 months according to the Bank of Nova Scotia analyst.

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Enbridge Inc. (TSX:ENB)(NYSE:ENB) stock has pulled back along with generally weak energy prices. However, Enbridge's largely contracted, stable cash flow from its midstream and renewable power assets will continue to support a strong and growing dividend.

At $52 per share, Enbridge offers a yield of 4.7%. It has increased its dividend per share for 21 consecutive years and paid one for 64 years. Management aims to continue growing its dividend by 10-12% per year through 2024 based on a payout ratio of 50-60%.

The 12-month mean target of $62.90 per share from Reuters represents nearly 21% upside potential for the near term.

Investor takeaway

There are risks in any investment. Intertape will be affected by the cycles in the industrial and retail industries. Open Text could have integration problems with new acquisitions. Enbridge's share price will be swayed by the volatility of energy prices.

That said, the three companies are a good, diversified group of dividend stocks with upside in the near term as well as growth potential for beyond.

Their risks have more or less played out, and their stock prices have dipped. Just recently, their shares have experienced some strength, which indicate the stocks may be turning around and ready to soar.

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4. TSX:ITP (Intertape Polymer Group)
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