2 Beaten-Up Dividend Stocks for Your TFSA Nest Egg

Description

Canadians are finally getting a chance to pick up some top quality dividend growth stocks at reasonable prices.

Let's take a look at two companies that are currently on sale.

BCE Inc. (TSX:BCE)(NYSE:BCE)

BCE is down on fears that rising interest rates will push up debt costs and trigger an exodus out of telecoms and other dividend stocks that attracted conservative yield seekers.

There is some merit to the concern, but the pullback is probably overblown at this point, especially when it comes to BCE.

The company continues to grow through acquisitions and new business offerings, including last year's takeover of Manitoba Telecom Services, the recently completed acquisition of AlarmForce, and the launch of Lucky Mobile.

BCE generates adequate free cash flow to cover its generous dividend, with the ability to raise prices whenever it needs a bit of extra funds.

At the time of writing, the stock provides a yield of 5%. It will be a long time before investors will see anything close to that from a GIC.

Inter Pipeline (TSX:IPL)

IPL owns natural gas liquids (NGL) extraction assets, conventional oil pipelines, oil sands pipelines, and a liquids storage business in Europe.

The company navigated its way through the oil rout in pretty good shape, maintaining solid cash flow and dividend hikes.

Management even took advantage of the downturn to add strategic assets at attractive prices, and investors could see strong returns on the investments as the market recovers.

In addition, IPL recently announced plans to go ahead with its $3.5 billion Heartland Petrochemical Complex. The facility should be up and running by the end of 2021, and investors could see a nice boost to revenue and cash flow to support additional dividend increases in the years that follow.

The existing payout, which currently provides an annualized yield of 7%, should be safe.

Is one more attractive?

BCE is probably the safer bet, but IPL likely offers more upside torque on a recovery. At this point, I would probably split a new investment between the two stocks to secure an average yield of 6% with a shot at some potential longer-term capital gains.

The bottom line

Market pullbacks generally prove to be good opportunities to pick up attractive stocks at discounted prices. At the moment, there are a number of interesting options and not all of them are household names.

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aswalker