

2 Boring Dividend-Growth Stocks for a Low-Risk Market-Beating TFSA

Description

Warren Buffett loves boring stocks, because a lot of the time, they're easy to understand and have an earnings trajectory that's easy to forecast. Also, in a time where the fear of missing out (FOMO) on speculative "sexy" plays is the norm, many boring stocks are heavily out of favour. But in time, this will change, as the party surrounding speculative investment instruments draws to a close, perhaps with a major pop!

As you gather around the water cooler with your co-workers, the last thing you want to be is an outcast by bringing up snooze-inducing stocks like rubbish collector [Waste Connections Inc. \(TSX:WCN\)](#)([NYSE:WCN](#)) or generic clothing manufacturer, [Gildan Activewear Inc. \(TSX:GIL\)](#)([NYSE:GIL](#)).

The water cooler conversation is likely surrounding developments in Bitcoin, marijuana stocks, the latest ICO, or the hottest cobalt miner, all of which could cause one to double up over a very short time. It's tempting to put your own money at risk after hearing co-workers profit profoundly overnight. In fact, it's probably tempting just so you can be a part of the conversation!

But before you give into peer pressure by gambling your money on FOMO instruments, it's important to ask yourself if you'd be comfortable gambling or if you'd rather use that money to invest in stocks that will make you rich at a slow, but steady rate.

If you find that speculative gambles on "sexy" plays are for you, then go for it. But just make sure you've got boring stocks to fall back on, because odds are, you're going to lose your shirt, because once an instrument is the main topic of discussion at the water cooler, the instrument is likely at the point right before the capitulation phase.

Don't buy into the "sexy" play; buy into the "unsexy" play

As a successful contrarian investor, one must not follow the herd. Instead, one must seek opportunities across sectors that the general public may be unfairly overlooking.

Boring stocks like Waste Connections and Gildan Activewear may not be stocks you'd bring up at a water cooler or dinner table conversation, but over the decades, the magnitude of total returns will surely cause jaws to drop, as the effects of long-term tax-free compounding within a TFSA become more apparent.

Both stocks have wide, nearly impenetrable moats, they're both cash cows that stand to become future dividend aristocrats, and, best of all, they're both dirt cheap right now.

Attractive valuations, above-average dividend-growth rates

Gildan trades at a 15.2 forward P/E, a 3.0 P/B, a 2.3 P/S, and a 10.4, P/CF, all of which are lower than the company's five-year historical average multiples of 23.5, 3.4, 2.8, and 26.1, respectively. The dividend yield is also over 0.6% higher than it normally is, and although it doesn't seem like much now,

just wait five years once the dividend has the opportunity to grow to double or even triple of what it is today.

Waste Connections is a pricier stock, but given the defensive nature of the business, I believe the stock is well worth the multiple you'll pay today. The stock trades at a 21.9 forward P/E, a 3.0 P/B, a 4.1 P/S, and a 15.9 P/CF, all of which are lower or in line with industry average multiples of 37.5, 3.2, 3.9, and 20.8, respectively. Like Gildan, Waste Connections will predictably reward shareholders with very consistent and generous dividend hikes through the years.

Bottom line

I don't know about you, but I personally think Gildan and Waste Connections are "sexier" stocks, because of their predictable nature and their astounding dividend-growth rates. Gildan produces generic articles of clothing at rock-bottom prices, and Waste Connections has the ability to turn trash into cash.

You can get rich slowly and safely with these wonderful businesses. Or you can use your capital to play the speculative crypto/marijuana/cobalt roulette wheel. The choice, I believe, is clear for Foolish investors!

Stay hungry. Stay Foolish.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:GIL (Gildan Activewear Inc.)
2. NYSE:WCN (Waste Connections)
3. TSX:GIL (Gildan Activewear Inc.)
4. TSX:WCN (Waste Connections)

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