2 Small-Cap Dividend Stocks for Young Investors to Feed Off

Description

As a young investor, you have time on your side — time to allow for the compounding of returns to work its magic and to allow your stocks to grow as strategies take shape and take your companies to the next level.

Here are two stocks dividend stocks that are undervalued and have bright futures ahead of them for young investors.

Evertz Technologies (TSX:ET)

Evertz designs, manufactures, and markets video and audio infrastructure solutions for television, telecommunications, and new media industries. This is an industry that is experiencing rapid change, and Evertz is well positioned to benefit from these changes.

This dividend stock, currently yielding a hefty 4.83%, is clearly cheap, trading at 15 times this year's expected EPS.

This is at a time when growth rates are accelerating, proof of which we can see in the company's strong shipments and backlog numbers, which totaled $122 million in the latest quarter (first quarter of fiscal 2019). Importantly, this number is significantly above historic levels of below $100 million.

This little-known stock offers investors a strong dividend yield that it supported by strong cash flows and a strong balance sheet.

In the past, the company has chosen to return excess cash to its shareholders in the form of a special dividend. In fiscal 2017, Evertz paid dividends totaling $137.5 million, $83.2 million of which was in the form of a special dividend.

With a regular annual dividend of $0.72 per share, the possibility of more special dividends and/or an acquisition in the future as the company aims to make use of its strong cash flows and balance sheet, and an attractive valuation (15 times this year's expected earnings), the stock is a great addition to young investors' portfolios for growth and yield.

Freehold Royalties (TSX:FRU)

Freehold stock is an energy stock that is also a dividend stock, and it is trading at bargain prices these days.

While the price of WTI oil has been strong, Freehold stock has declined 29% in the last year — a reflection of weak Canadian oil prices due to infrastructure limitations — a condition that has not stopped Freehold from making tonnes of cash.

In the first quarter of 2018, company generated $0.27 in cash flow per share and a 10% free cash flow yield.

Freehold Royalties stock offers investors a relatively low-risk way to play the energy space, with a 5.95% dividend yield, a well-diversified asset base, and a low-risk business model with relatively predictable cash flows and a strong balance sheet.

This company has a long history of value creation. Long-term shareholders have done very well with Freehold.

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1. Dividend Stocks
2. Investing

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1. Editor's Choice

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2. TSX:FRU (Freehold Royalties Ltd.)

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