2 Quality, Growth-Focused Dividend Stocks for Your TFSA

Description

Growing dividends is a simple gauge for the health of a business. Normally, companies don't continue to increase their dividends if they don't have the ability to do so. Here are two quality stocks that are excellent buys right now for above-average growing dividends and price appreciation in your TFSA.

A growing tech stock

Despite having involuntarily participated in the internet bubble and traded as high as a price-to-earnings multiple (P/E) of 88 in 2000, **OpenText** (TSX:OTEX)(NASDAQ:OTEX) stock has still been a five-bagger. That's because it has been increasing its earnings and cash flow over time.

At under $44 per share, OpenText trades at a much more attractive P/E of about 13 today, while the healthy tech company is estimated to increase its earnings per share by about 12% per year. It's growing through a mix of acquisitions, organic growth, and annual recurring revenue, which was about 70% of its last fiscal year's revenue.

Enterprise data will only continue to grow, if not at a faster pace than before. So, there won't be any shortage of growth at OpenText, which helps enterprises manage information in all shapes and forms. That's why the company has been increasing its dividend per share by about 15% per year since 2015.

Even though OpenText only offers a 1.8% yield, it has the ability to grow its dividend per share by about 12-15% per year. Therefore, investors should be able to get market-beating returns by investing at current levels and on any further dips.

By example, the **Bank of Nova Scotia** analyst has a "Sector Outperform" rating and a one-year target of US$41 on the stock, which represents 21% near-term upside potential based on the more conservative foreign exchange of US$1 to CAD$1.30.

A faster-growing bank

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) is estimated to grow its earnings per share at a few percentage points higher than its Big Five peers, but its valuation remains quite attractive.

TD Bank generates about one-third of its net income from its U.S. retail business, which no doubt helps with its above-average estimated growth. Analysts believe that TD Bank will be able to grow its earnings per share by about 9-12% per year for the next three to five years.

At under $71 per share as of writing, TD Bank trades at a P/E of about 11. The analyst consensus from **Thomson Reuters** has a 12-month target of $85.70 per share on the stock, representing 21% near-term upside potential.

TD Bank offers a safe 3.8% yield, and has increased its dividend per share by 8-9% per year in the last few years. It certainly has the ability to continue hiking its dividend at that rate over the next few years.

Investor takeaway

Both OpenText and TD Bank are great additions to your TFSA at their current attractive valuations. Both companies offer above-average growth compared to the market as well as increasing dividends.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing
4. Tech Stocks

TICKERS GLOBAL

1. NASDAQ:OTEX (Open Text Corporation)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:OTEX (Open Text Corporation)
4. TSX:TD (The Toronto-Dominion Bank)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing
4. Tech Stocks

Date

2025/07/26
Date Created
2018/11/24
Author
kayng