TFSA Investors: 2 Top Dividend Stocks to Outperform the Market in April

Description

It is tax refund time. What will you do with yours?

Paying off high-interest debt is a good place to start, but once you have cleaned that up, where should you deploy this money?

Well, you really can't go wrong with a TFSA contribution.

This is the place for your hard-earned money — an ideal place for wealth accumulation, as its tax-free status accentuates the benefits of compounding returns over time.

Placing dividend-paying stocks in your TFSA gives you tax-free dividend income, and really it is like throwing money away if we do not at least try to take advantage of this.

Here are two dividend stocks to add to your TFSA for outperformance in April.

Nutrien (TSX:NTR)(NYSE:NTR)

Formed through the January 2018 merger of Potash Corp and Agrium, Nutrien is a global giant that is churning out massive amounts of cash flow, ramping up cost savings related to the merger and just benefitting from its diverse, vertically integrated agricultural business.

Investors have an attractive entry point into the shares of Nutrien at this time. It is trading at an attractive price-to-earnings multiple of only 20 times 2020 expected consensus earnings, offers a dividend yield of 3.24%, and offers an increasing EBITDA and cash flow profile.

The latest earnings report from the company was as expected, with weakness in the retail segment being more than offset with strength in the potash segment due to sharply higher volumes.

Free cash flow was 59% higher than last year and $4 billion of debt was repaid in 2018 (for a healthy net debt to EBITDA of 1.5 times).

And a healthy balance sheet will come in handy for Nutrien, as we can expect the company to make additional acquisitions, as it continues to be a consolidator in North America, with a goal of $300-500 million in acquisitions annually providing an additional boost to future cash flows and earnings.

Intact Financial (TSX:IFC)

With a 2.69% current dividend yield and a 9.1% 10-year compound annual growth rate in dividends, Intact has certainly provided its shareholders with stable, reliable, and growing income.

The company has a leading competitive position in the insurance industry, with an almost 20% market share, and solid management that is intent on continuing to be the consolidators in this fragmented market.

Strong results, a growing dividend, a healthy balance sheet, and the potential for additional growth via acquisitions are drivers for the stock going forward.

Management expects that 15-20% market share will change hands in the next five years.

And given that barriers to entry are high in this business, this leaves Intact well positioned to continue to be the consolidator in Canada and in the U.S.

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2. Investing

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1. Editor's Choice

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2. TSX:IFC (Intact Financial Corporation)
3. TSX:NTR (Nutrien)

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