Passive Income Investors: 2 Undervalued Stocks You Should Own in Your TFSA

Description

I'll be honest; as a millennial investor, I'm always looking for easy money. In the beginning, this meant taking high risks and hoping for high rewards, but of course I've learned more since then.

Instead, I've found it far more lucrative in the long term to find stocks that will pay me a solid, stable dividend as the stock steadily increases. Putting these types of stocks in my TFSA and RRSP has already proved rewarding.

Two such stocks I would recommend for this type of passive income are **TFI International Inc.** (TSX:TFII) and **Nutrien Ltd.** (TSX:NTR)(NYSE:NTR). Both stocks are currently undervalued and offer a quarterly dividend that equates to cash in your pocket every quarter until you're ready to sell. In the meantime, they're both set to increase for quite some time.

TFI

TFI is a transportation and logistics service that runs throughout North America from Canada down to Mexico with everything from medical supplies to industrial equipment. It currently operates 7,465 power units, 369 terminals, and 24,487 trailers.

The company has a five-year track record of slow growth with a few sudden jumps in share price. There was a bit of a dip last October, but the company has rebounded and surpassed that last high share price to currently trade at about $43 per share at the time of writing.

It's most recent bump was likely do to the recent acquisition of BeavEx for a purchase price of $9.67 million, which doesn't include the $134 million in annual revenues that the acquisition will bring in.

The next three years are looking good for this company. Analysts believe that this company's net income will rise from around $292 million to $298 million by 2022, which is a growth rate of 4.1%.

That seems supportable given the last year in past earnings saw growth of 84.8%, with a five-year earnings growth of 27%. So that's quite the slowdown, if analysts are right, but it's still growth nonetheless.

As I mentioned, the stock remains undervalued at $43 per share at writing, and could reach as high as $60 per share in the next 12 months. With a quarterly dividend of 2.43% at the time of writing, even with small growth, this company will provide investors with a nice little chunk of change.

Nutrien

Switching industries, but not outlook, we now look to Nutrien. This company produces and markets crop nutrients worldwide including fertilizers, seeds, crop protection, and a number of other agronomic services in its almost 1,500 retail locations. It is now the largest agricultural retailer in North America and Australia.

These areas of industry have proven lucrative for Nutrien, and analysts believe that will remain the case in the future, generating a relatively steady cash flow. Another reason for increased cash is Nutriens international need. China and India still lag scientifically recommended levels of potash application rates, and while they continue to work toward it, Nutrien will continue to supply that potash for food production. Given its size, Nutrien also have the ongoing opportunity to acquire smaller competitors since the retail agriculture market is such a fragmented industry.

Over the next few years, passive investors will continue to see a growth in earnings, a growth in the overall business, and therefore a growth in dividend, which currently sits at 3.21% at the time of writing after being raised 7.5% this year. As for share price, again this is a buy and hold stock.

Right now, it trades at about $72 per share at writing, which could potentially go down in the next 12 months, but with pretty much *any* good news that share price is much more likely to rise to something more like $85 per share.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:NTR (Nutrien)
2. TSX:NTR (Nutrien)
3. TSX:TFII (TFI International)

PARTNER-FEEDS

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

Category

1. Investing

Date
2025/08/28
Date Created
2019/04/28
Author
alegatewolfe