Time to Load Up on These 2 Stocks

Description

I'm not going to lie. I was hoping to have a bit more time for some dividends to build up before I had to think about buying stocks. While most of my Canadian dividend-paying favourites have held together quite nicely so far, there are a couple of companies which are beginning to look attractive once again.

That's the beauty of headline noise. It prices in the damage an event might have, like the potentially negative impact of tariffs and trade wars, into stocks before anything actually happens.

Although these companies still do not have huge dividends, even after the big pullback in their share prices, both **Magna International Inc.** (TSX:MG)(NYSE:MAG) and **Nutrien Ltd.** (TSX:NTR)(NYSE:NTR). But their dividends have been growing and have the added benefit of being paid out in US dollars.

Both companies are cheap on a price-to-earnings basis, with Magna currently trading at a price to earnings (P/E) multiple of 5.6 times trailing earnings and Nutrien at a P/E of 8.6.

On a price to book basis, both stocks are equally cheap. The companies trade at about 1.3 times their book value, making these excellent value candidates.

Of course, the stock prices are being hit for a reason. Trade issues have already taken a toll on Magna, with many of its financial results having been hit in the recent quarter. In Q1 of 2019, Magna saw its sales decrease by 2% year-over-year. Adjusted EBITDA decreased by 18% over the same period. The trade turmoil is definitely taking its toll.

Nutrien did slightly better in the first quarter of 2019. It saw sales that were essentially flat, increasing only 1% year over year. Adjusted EBITDA, however, increased by 22%, much better than was the case for Magna.

Most of the difficulty facing Nutrien had more to do with weather conditions in the United States and Australia. The company blamed a wet spring resulting in late seeding for some of the decrease.

If these results were not optimal, why recommend these companies as a buy? Well, for one thing, the best time to buy shares of great companies is when people are throwing them away. Both Nutrien and Magna are great companies whose products will be in demand for years to come.

Magna, for one, is an auto parts maker that makes components for a number of different companies. While it's tied to the auto cycle, it's not subject to changes in style and fashion in the same way as an automobile company. Magna has also been investing in autonomous vehicles, a technology that might be in high demand in the coming years.

Nutrien also has products that are in demand. It provides materials for food production, both through its wholesale commodity business which produces potash, nitrogen, and other materials for fertilizer as well as through its retail business, which operates heavily in Canada and the United States and is expanding worldwide.

These companies also have respectable dividends yields that have grown larger with the pullback in their stock prices. Magna's yield sits at 3.24% and Nutrien's is currently at 3.44%.

These companies are both growing their dividends as well. Magna raised its payout by 11% in February and Nutrien raised its payout by 27% in 2018.

Time to buy shares in these companies

Both Magna and Nutrien's share prices are sitting at attractive levels and the long-term outlook for both companies is bright. There might be some downside to these stocks in the near-term, but if you are a long-term investor with a multi-year time horizon, these stocks are sure to reward you.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:MGA (Magna International Inc.)
2. NYSE:NTR (Nutrien)
3. TSX:MG (Magna International Inc.)
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