2 Top Dividend Stocks to Buy for Your TFSA This Summer

Description

The summer is a great time to add to your portfolio holdings. At this time of year, there are plenty of big investors who take some much-needed rest and relaxation. As such, volume during the summer months tends to be lower and, along with it, there are lower returns.

In recent years, however, one group of stocks have been outperforming during the summer doldrums: consumer defensive. These are stocks that tend to perform regardless of economic conditions.

This makes it the perfect time to load up on defensive stocks. Here are two dividend stocks that are growing at an impressive pace and could anchor your TFSA account for years to come.

Park Lawn

No stock on the TSX is better positioned to take advantage of North America's aging population. As the only publicly listed funeral home operation, **Park Lawn** (TSX:PLC) has been a star through the first six month of the year. Returning 24.76% thus far in 2019, the company is on track to deliver returns in excess of 40%, in line with its historical average over the past five years.

At first glance, it looks expensive. The company is trading at 78 times earnings, and it can't possibly maintain its impressive growth rates. Or can it? Park Lawn is still young, and with a market cap of only $826 million, it has plenty of room to grow. Likewise, Park Lawn is operating in a highly fragmented industry, and it is is a leading consolidator.

The company has been buying up whatever it can get its hands on. Through June, it has announced its intention to acquire or has closed on six transactions. Analysts expect +25% average annual earnings growth over the next few years and have a one-year price target of $32.44 per share. On a forward 12-month basis, it is only trading at 23 times earnings.

Park Lawn also pays a modest and safe dividend. Although it only yields 1.59%, the company is focused on its growth strategy.

Savaria

Sticking with the theme, **Savaria** (TSX:SIS) is another company primed to take advantage of an aging population. The company specializes in mobility devices and, like Park Lawn, has been growing at an impressive pace.

Savaria has averaged 15% earnings growth over the past five years, and this number is expected to accelerate over the next few years. Through 2020, analysts expect earnings growth of 25% and have a one-year price target of $17.11. This implies 27% upside from today's price of $13.47 per share. Better yet, the lowest target on the street is $15, which is still an 11% premium.

Whereas Park Lawn has been a star, Savaria has been a dog. The company has only gained 3.14% this year, far below its +25% historical average. The company hit some bumps integrating its latest acquisition, which impacted margins. As a result, earnings have been lower than expected.

This, however, is but a blip in the road. The company has a storied history of execution and announced plans to return to historical margins by the end of the year. In the meantime, investors get to pick up a Canadian Dividend Aristocrat at a discount to historical averages. Shareholders get paid at a yield of 3.17% and should expect another double-digit dividend raise this fall.

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1. Dividend Stocks
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2. TSX:SIS (Savaria Corporation)

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