These Quality Canadian Stocks Are Trading at 52-Week Lows

Description

Not all stocks trading at 52-week lows are worth risking your hard-earned money, but these quality Canadian stocks are different.

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) and **Canadian Tire** (TSX:CTC.A) have paid dividends for many years. They continue to pay out safe dividends that are supported by reasonable payout ratios and long-term earnings growth. Even during recessions, their dividends stayed intact.

Bank of Nova Scotia

Scotiabank stock has declined about 10% in the last year, bringing its valuation down to about 9.6 times earnings, as near-term growth is expected to be lower than usual. However, the valuation is incredibly cheap for a stable business that's expected to grow earnings by 5-6% per year longer term.

Over the last few years, Scotiabank has exited a number of countries and redeployed about $7 billion of capital to increase its scale and market share in key markets in the Pacific Alliance countries.

Despite the deterrents of exiting certain countries, Canada's most international bank still managed to increase its earnings per share by about 7% per year in the period. The bank believes that a greater focus on its key markets will drive sustainable earnings growth and improve earnings quality.

Scotiabank has paid a dividend every year since its foundation in 1832, and its stable earnings have allowed it to increase its dividend for 43 of the last 45 years. The discounted stock has lifted its dividend yield to be attractive at 5%, which is supported by a safe payout ratio of less than 50%.

Canadian Tire

Canadian Tire's roots stretch as far back as 1922. The retailer has since become an iconic brand that's greatly recognized and easily accessible by people across the nation.

Over the years, Canadian Tire made acquisitions, including Mark's (a leading retailers of work, casual, and active wear) and FGL Sports (the largest sporting goods retailer in the country with multiple banners, including Sport Chek and Sports Experts). Most recently, it acquired Party City's Canadian business to further expand its offerings.

The company is known to share its profits with shareholders. As a case in point, since 2004, Canadian Tire has increased its dividend at a compound annual growth rate of 16%, despite having frozen the dividend in 2009 around the time of a global financial crisis.

At about 32%, the stock's payout ratio is still relatively low for a retailer. Therefore, Canadian Tire's 3.1% yield is safe, and it should be able to continue increasing its dividend by about 10% per year over the next few years.

The stock has declined about 18% in the last year, such that the stock trades at a discount of approximately 20% from its normal multiple, a sale we last saw in 2013.

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2. TSX:BNS (Bank Of Nova Scotia)
3. TSX:CTC.A (Canadian Tire Corporation, Limited)

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