2 Dividend Stocks I'd Buy on the Dip Right Now

Description

If you seek dividend income and price appreciation, you've come to the right place. The following well-valued dividend stocks offer both right now!

A&W

Big investors shy away from small stocks like **A&W Revenue Royalties Income Fund** (TSX:AW.UN), which aren't sufficiently liquid. That's all the merrier for retail investors like you and me who can gobble up A&W shares for a nice monthly income – just remember to set limit orders so you won't be surprised by the prices you pay.

A&W collects a 3% royalty from every sale of the 934 A&W restaurants in its royalty pool in Canada. It can grow its royalty income by adding new stores and increasing sales at the restaurants. At the start of the year, it added 38 new restaurants.

A&W's underlying restaurants have been doing well with gross sales (and A&W's royalty income) growth of 11.7% year to date. The strong same-store sales growth of 6.9% year to date was eclipsed by the 8.6% growth in the comparable period in the prior year.

There are minimal costs for A&W's royalty business. Therefore, it's able to pay out most of its distributable cash as cash distributions for its shareholders. Year to date, the payout ratio was less than 94%.

The stock has dipped 19% from its 52-week high. As of writing, A&W trades at $37.20 per share and offers a nice and safe yield of 5.13%.

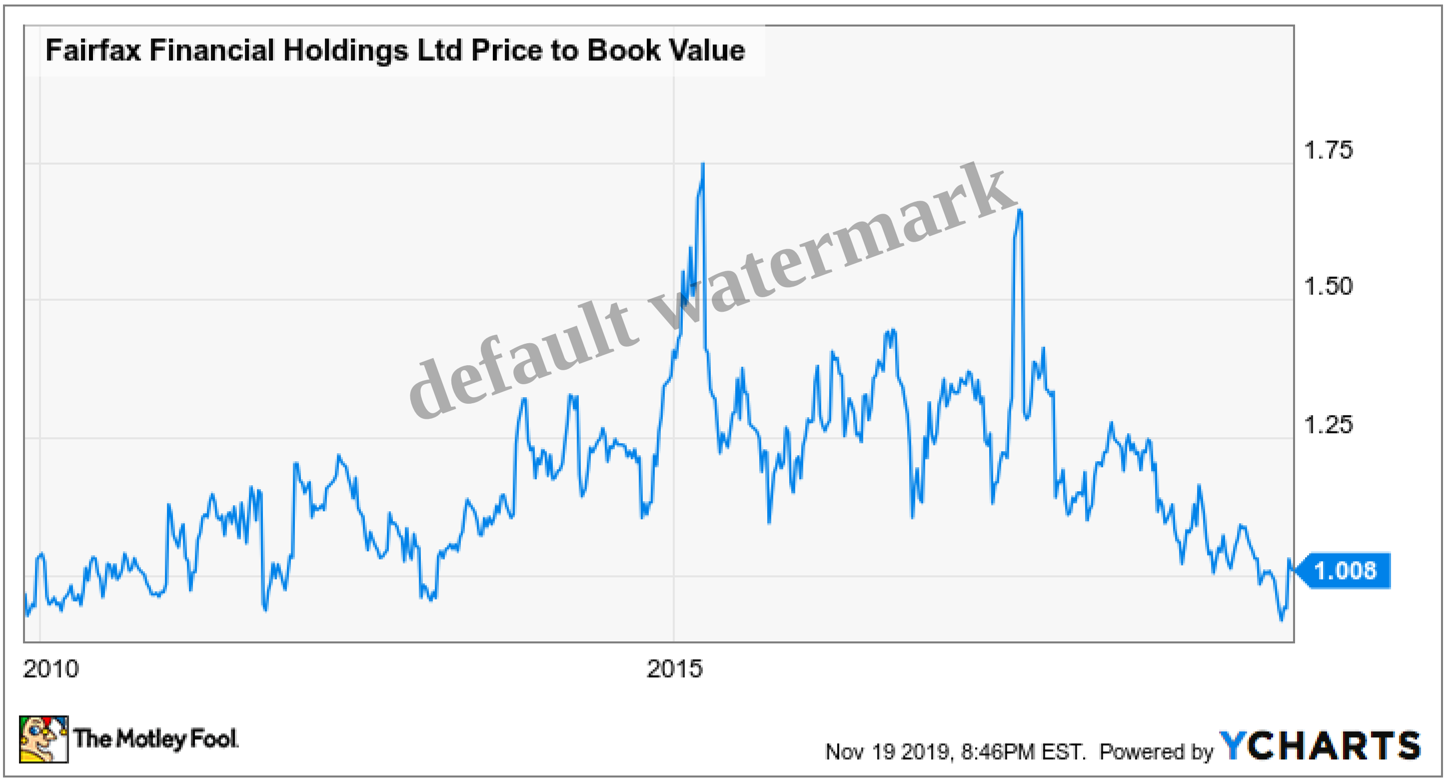
Fairfax Financial Holdings

Fairfax Financial Holdings (TSX:FFH) has decentralized insurance businesses that generate float as a source of low-cost capital for it to invest for higher returns.

Year to date, the insurance businesses are all profitable with a consolidated combined ratio of 97.1%. Fairfax also experienced net earnings growth of more than 15%, translating to diluted earnings per share growth of a whopping 60%. Investors should be aware that Fairfax's earnings will be volatile as volatility is always present in financial markets.

Although the dividend stock has recovered about 9% from its 52-week low, it's still 21% below its high in 2018. Fairfax stock is still cheaply valued, trading at a 10-year low valuation at about book value.

Interested investors might as well buy the stock now and grab the US$10-per-share dividend that's being paid out in January while waiting for the stock to appreciate.



FFH Price to Book Value data by YCharts

If history is any indicator of the future, it suggests that the stock can trade at the $700-per-share level.

Analysts currently have a 12-month price target of US$565 per share (roughly CAD$734) on the stock, which represents 22% near-term upside potential.

Investor takeaway

A&W and Fairfax are two dividend stocks I'd buy on the dip. In fact, I already did. And should they fall lower, I'll very likely add to my positions, because I'm sure of their long-term prospects and confident that their stocks will move higher on favourable conditions.

CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

TICKERS GLOBAL

1. TSX:AW.UN (A&W Revenue Royalties Income Fund)
2. TSX:FFH (Fairfax Financial Holdings Limited)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

Date
2025/08/26
Date Created
2019/11/20
Author
kayng