TFSA Investors: 2 High-Dividend Canadian Stocks to Buy for 2020

Description

As we inch closer to the end of 2019, investors will be looking to re-balance their portfolios. Though there are recession fears, markets continue to trade at record highs. Investors have been able to generate significant wealth in one of the longest-running bull runs in stock market history.

However, there are always stocks that are undervalued and have significant upside potential. Here we look at two such stocks that need to be considered by value and income investors.

Methanex stock has fallen 40% since March

Methanex (TSX:MX)(NYSE:MEOH) is a Canada-based producer of methanol. It has production facilities in Canada, Egypt, Chile, New Zealand, Trinidad & Tobago, and the United States. Methanex's global operations are supported by a robust supply chain that consists of terminals, storage facilities, and a fleet of ocean tankers. Its subsidiary Waterfront Shipping Company has over 20 vessels.

Methanex investors have lost considerable wealth in 2019. The stock is trading 40% below its 52-week high and has lost 52% since October 2018. The recent pullback has wiped out all gains in the last five years.

This decline was driven by a significant drop in company sales. In 2019, analysts expect Methanex sales to fall 27.2% to $2.86 billion. Comparatively, earnings are estimated to fall 88.6% year over year to $0.78.

Methanex and peers have been impacted by the falling prices of Methanol. In North America, methanol prices have fallen from US$516/metric tonne in October 2018 to US$340/metric tonne in September 2019.

However, the company is expected to return to sales growth in 2020. Analysts expect revenue growth of 5.8% in 2020 and 5.6% in 2021. This will also drive the company's bottom line higher. Analysts expect Methanex to grow earnings at an annual rate of 115% between 2020 and 2023 after the massive earnings decline this year.

Compare this to the company's forward price-to-earnings multiple of 16, and we can see that the stock should move higher if it meets or beats earnings estimates going forward. Further, the stock also has a forward dividend yield of 3.8%, making it a solid pick for value investors.

Fiera Capital has gained momentum recently

Another Canadian stock that should be on investors' radars is **Fiera Capital** (TSX:FSZ). Fiera is a financial services company that provides research and investment advisory services to institutional, retail and private wealth investors.

In the most recent quarter, Fiera managed to increase its assets under management (AUM) by 15% in the third quarter, driven by its acquisition of Foresters Asset Management, Natixis Investment Managers, and Integrated Asset Management.

Driven by inorganic growth, analysts expect Fiera to increase sales by 18.9% in 2019 and 11.7% in 2020. Its earnings are estimated to rise at an annual rate of 14.8% over the next five years.

The stock is trading at a forward price-to-earnings ratio of 7.4 times and has a solid forward dividend yield of 7.6%. Fiera stock has a price-to-sales multiple of 1.83, a price-to-book ratio of two, and an estimated five-year PEG ratio of 0.56, making it an attractive growth stock that is available at a bargain.

Fiera generates revenue from base management fees and performance management fees, making the stock a risky buy if recession fears come true, as investors will liquidate their holdings.

CATEGORY

1. Dividend Stocks
2. Investing

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1. Editor's Choice

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2. TSX:FSZ (Fiera Capital Corporation)
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Date
2025/07/01
Date Created
2019/11/26
Author
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