TFSA Investors: 2 Dividend-Paying Stocks for 2020

Description

Dividend stocks always seem like an attractive investment. A steady stream of income always helps, especially when the market appears overvalued and upside potential is limited.

Here, I look at two Canadian-based stocks that not only provide dividends, but are also trading at an attractive valuation.

NFI Group

NFI Group (TSX:NFI) is a Canada-based bus and motorcoach manufacturer. It has over 32 fabrication, manufacturing, distribution and service centres in North America. While manufacturing accounts for the majority of revenue, NFI also generates sales from after-sales service.

The United States accounts for 87% of sales while Canada accounts for the rest. Shares of NFI Group are trading at $26 at writing. The stock lost 12% in market value on November 13, 2019 after it missed consensus revenue and earnings estimates in the September quarter.

NFI reported sales of $725.13 million with adjusted earnings of $0.24 in the third quarter. While revenue rose 19.8%, earnings fell 58.6% year over year. Analysts had forecast NFI sales at $740.19 million and EPS at $0.45 in Q3.

NFI stock has underperformed the broader markets this year. The stock is down 22.6% year to date and has declined close to 34% since June 2019. One of the reasons for NFI's poor performance has been its earnings miss.

NFI has failed to meet consensus earnings estimates in each of the last three quarters. In Q3, it missed estimates by 46.7%. In the June quarter, it reported earnings of $0.42 which was 17.6% below estimates of $0.51. The company's earnings of $0.26 in March was also 36.6% below estimates of $0.41.

However, the stock price decline has resulted in a dividend yield of 6.6% for investors. Analysts also expect revenue to grow by 16.3% to $2.93 billion in 2019 and by 12% to $3.28 billion in 2020.

Though earnings are expected to fall by 40.2% in 2019, it might gain 31.4% next year. NFI stock is trading at a forward price to earnings multiple of 12.4 and is valued at $1.61 billion, or 0.41 times forward sales.

Alimentation Couche-Tard Inc.

Shares of **Alimentation Couche-Tard Inc.** (TSX:ATD.B) have gained 26.7% in the last year, outperforming the broader markets.

ATD is a Canadian convenience store giant that focuses on the sale of goods for immediate consumption as well as road transportation. ATD owns proprietary and franchise-based stores.

Valued at a market cap of $48.26 billion and an enterprise value of $57.37 billion, ATD sales at estimated at $57.94 billion in fiscal 2020 and $58.95 billion in 2021.

ATD stock is trading at a forward price to earnings multiple of 24.9. Comparatively, analysts expect its earnings to grow by 10% annually in the next five years.

It has a dividend yield of under 1%. While this might seem less than attractive, ATD is a stock that can be a safe bet against the upcoming slowdown. Its price-to-sales ratio stands at 0.84, while the enterprise value to sales ratio is around 1.

The company has also grown its dividends at an annual rate of 29% in the last five years. Further, with a dividend payout ratio of 10%, the company has enough leeway to keep increasing these payments.

While it has a strong presence in Canada, ATD is now looking to expand south of the border. The United States a huge market, providing ATD with plenty of room to grow.

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TICKERS GLOBAL

1. TSX:ATD (Alimentation Couche-Tard Inc.)
2. TSX:NFI (NFI Group)

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