2 Dividend Aristocrats to Buy and Hold Forever

Description

A dividend growth strategy is a surefire way to help investors retire early. Retirees need to generate income, and a balanced portfolio of dividend paying equities with a history of raising dividends has proven to be one of the best ways to generate wealth.

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In Canada however, dividend growth isn't as far along as it is in the U.S. markets. South of the border, Dividend Aristocrats are companies that have raised dividends for at least 25 consecutive years.

There are 150 such companies in the United States. In comparison, Canadian Dividend Aristocrats are companies that have raised dividends for five or more consecutive years. As of writing, there are only 84 such companies.

In the U.S., the list of those who have raised dividends for more than five years is so long, they've had to break it down into four categories:

- Dividend Kings – 50+ years
- Dividend Aristocrats (Champions) – 25-49 years
- Dividend Contenders – 10-24 years
- Dividend Challengers – 5-9 years

Given this, Canadians looking to implement a dividend growth strategy have limited options. This is especially true when the markets are touching new highs on an almost daily basis.

On the bright side, those that are undervalued tend to stand out. Currently, those stocks included the Big Banks, **Canadian Tire** (TSX:CTC.A) and **Manulife Financial** (TSX:MFC)(NYSE:MFC).

An undervalued retail giant

Canadian Tire is woven into Canada's culture. It is Canada's leading retailer and the company's stock has been persistently held down for the better part of the past year.

In 2019, the stock was highly volatile and finished the year relatively flat (0.73%), far below the 20%+ returns posted by the **S&P/TSX Composite Index.** For astute retail investors, this is a buying opportunity.

The company's recent struggles are all macro-related. Fundamentally speaking, Canadian Tire is performing quite well. In the last quarter, it saw impressive same store sales growth across all of its brands (Canadian Tire, SportCheck and Mark's) and raised the dividend by 10%. It marks a decade's worth of dividend growth for the company.

Canadian Tire is trading at just 10.23 times forward earnings and 0.68 times sales, well below the retail industry averages of 23.3 and 0.9 and the company's own historical five-year averages. Analysts agree and have a one-year average price target of $178.83 per share, which implies 24% upside from today's price.

Canada's leading insurance company

Manulife Financial is another company trading at a steep discount. At $27.25 per share, it's trading at a 23% discount to its Graham number. The Graham number was made famous by the father of value investing, Benjamin Graham. The number is measure of intrinsic value.

Similar to Canadian Tire, it is trading at a cheap 8.6 times forward earnings, which is well below the industry average of 10.6 and its own five-year historical average of 8.6 times.

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Furthermore, Manulife has PE to growth (PEG) of only 0.7, a clear sign that company's stock price is undervalued. A PEG under 1 is a sign that the company's stock price is not keeping up with expected growth rates. Growth rates are expected to average ~13% over the next five years thanks to significant growth in Asia.

No matter which way you slice it, Canada's largest insurance company and largest retailer are cheap.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:MFC (Manulife Financial Corporation)
2. TSX:CTC.A (Canadian Tire Corporation, Limited)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
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