



Passive Income: 3 Dividend Stocks on Sale

Description

Buying dividend stocks on sale is the perfect way to get passive income while you wait for price appreciation. Here are three stocks that have great potential going for them this year and beyond!

Scotiabank

Bank of Nova Scotia ([TSX:BNS](#))([NYSE:BNS](#)) was a riskier Canadian big bank due to its diverse, international businesses. However, by refocusing its investments to six core markets in the past six years, it had nipped off much of the high risk and volatility. This resulted in an improved credit risk profile and reduced operational risk.

Importantly, the bank has proven to generate sustainably growing earnings in the long run. Additionally, its earnings are above-average stable compared to many public businesses in different industries.

Scotiabank is easily my favourite bank for passive income right now. The stock offers a dividend yield of 5%, which is supported by a safe payout ratio of about 50%.

BNS stock has shaved off some gains since October. This has weighed down on its already cheap valuation. At \$72 and change per share as of writing, the solid dividend stock trades at a price-to-earnings ratio of 10.1, requiring climbing 18% to get back to its normal multiple.

Restaurant Brands

Restaurant Brands International ([TSX:QSR](#))([NYSE:QSR](#)) stock has corrected about 20% from its 52-week high. It now sits at a support that's the top end of its previous trading range. So, it's a good time to consider buying some shares of the international business.

The company's Tim Hortons franchise is having some hiccups, but its other two brands are doing well. Specifically, in Q3 2019, Tim Hortons had comparable sales of -1.4%, which was worse than the poor

0.6% in the comparable period in the prior year. On a bright note, Burger King and Popeyes Louisiana Kitchen, respectively, had strong comparable sales of 4.8% and 9.7%.

[Restaurant Brands](#) will be releasing its Q4 2019 results soon. If it reports better comps for Tim Hortons for the quarter, a turnaround rally could be triggered!

At \$80 and change per share as of writing, the dividend stock trades at a forward price-to-earnings ratio of 20.7, while multiple analysts expect the international quick-service restaurant company to experience earnings-per-share growth of about 11% per year over the next three to five years.

QSR stock is an excellent value. In fact, analysts have an average 12-month price target that represents 31% short-term upside potential. Shareholders also get a yield of nearly 3.3% for the wait!

Nutrien

Nutrien ([TSX:NTR](#))([NYSE:NTR](#)) is an interesting passive-income idea now that it offers a yield of close to 4.2%. Its free cash flow provides a good buffer to protect its dividend.

The company is the biggest retailer of crop inputs and services in the U.S. and North America with a market share of about 21%. It's about three times the size of the next largest competitor! Additionally, it has global operations with leading positions in Australia and South America.

Notably, Nutrien generates roughly a third of its earnings from its retail business, which is pretty stable. This business unit drives organic growth via its international supply chain across seven countries.

[Nutrien](#) recently acquired a tuck-in acquisition in Brazil, which will complement its retail operations in the country and add US\$60 million of annual sales.

In 2019, there was a trade war, great weather, and swine flu (that destroyed roughly half of the swine population in China). These factors negatively affected the demand for Nutrien's fertilizer products. Yet, in this atypical year, the company still managed to increase its EBITDA by about 10%.

Should things go back to normal, Nutren will generate substantial shareholder value with the combined effects of its dividend, low valuation, and growth prospects!

Analysts think NTR stock is on sale; they have an average 12-month price target that represents 36% short-term upside potential.

CATEGORY

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1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:NTR (Nutrien)
3. NYSE:QSR (Restaurant Brands International Inc.)
4. TSX:BNS (Bank Of Nova Scotia)
5. TSX:NTR (Nutrien)
6. TSX:QSR (Restaurant Brands International Inc.)

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