



## Dirt-Cheap Dividend Stocks to Buy in March 2020

### Description

Investing in stocks is the best way to create wealth in the long run! Just make sure you are ready for some volatility and you don't need the money for at least three to five years.

The latest market correction is a gift. Now, you can buy these proven dividend stocks at [dirt-cheap valuations](#) and elevated dividend yields.

### Bank of Nova Scotia

**Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) stock has paid dividends for 186 years. The bank's solid dividend remained intact in the last financial crisis. Its scale has grown since then. Therefore, you can expect safe dividends to continue from Scotiabank.

BNS stock's five-year dividend-growth rate is 6.4%. Over the next few years, the bank can grow its earnings per share by about 5% per year. Coupled with a payout ratio of about 49% right now, the bank will probably increase its dividend per share by about 5% per year, following its earnings growth.

For fiscal Q1 2020, BNS stock reported adjusted net income of \$2.3 billion, while its adjusted earnings-per-share growth was about 5% year over year.

Its largest segment, Canadian Banking, contributed stable adjusted net income growth of 5% — helped by loan and deposit growth.

The International Banking segment appeared to be a disappointment with adjusted net income dropping 17%. However, it was due to divested operations and tax benefits in Mexico in fiscal 2019. Therefore, the results should improve in future years.

Global Wealth Management and Global Banking and Markets segments both saw double-digit adjusted net income growth thanks to higher fee income and strong growth in trading-related revenue, respectively.

The BNS stock price is cheap at \$69 and change per share — about 9.7 times earnings! The bank's dividend yield of 5.2% is also above average. Moreover, the international bank is expected to increase its dividend later this year.

Based on BNS stock's low valuation, high dividend yield, and stable growth, an investment today is likely to deliver total returns of more than 10% per year over the next three to five years.

## Magna International

**Magna** ([TSX:MG](#))([NYSE:MGA](#)) stock declined about 16% from its recent high. This is a big cut to its stock price given that the **TSX Index** has only fallen about 9%.

Magna is the largest automotive supplier in North America and has manufacturing facilities strategically located across the globe. Additionally, it has been investing in electrification and autonomy to stay relevant in the changing industry.

Naturally, due to the cyclical nature of the underlying business, Magna stock has greater beta than the market. This characteristic works in investors' favour when they buy the stock at a low valuation after it has corrected. With patience, valuation expansion will eventually occur, bringing market-beating double-digit returns!

In 2019, Magna experienced a sales decline of 3% to US\$39.4 billion. However, excluding the impact of foreign currency translation and divestitures, net of acquisitions, sales increased 2%. Management pointed out that this compared favourably to global light vehicle production, which declined 4%.

Despite an adjusted earnings-per-share decline of 10% in 2019 to US\$6.05 per share, Magna still increased its dividend by 9.6% last month. This suggests management is confident about the business. The dividend hike marked the start of the 10th consecutive year of dividend increases.

Magna has strong coverage for its dividend. In 2019, it paid out 18% of free cash flow as dividends. This year, it's paying out about 25% of its earnings as dividends. It will likely keep the payout ratio low due to the cyclicity of the industry.

Currently, Magna stock trades at a forward P/E of about 7.3, which is a discount of roughly 20% from its long-term normal valuation. As a result, the stock offers a boosted dividend yield of 3.4% and probable long-term market-beating returns of more than 13% per year!

Here are more [dirt-cheap dividend stocks](#) for your consideration.

### CATEGORY

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

### POST TAG

1. Editor's Choice

## **TICKERS GLOBAL**

1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:MGA (Magna International Inc.)
3. TSX:BNS (Bank Of Nova Scotia)
4. TSX:MG (Magna International Inc.)

## **PARTNER-FEEDS**

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

## **Category**

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

## **Tags**

1. Editor's Choice

## **Date**

2025/08/22

## **Date Created**

2020/03/04

## **Author**

kayng

default watermark

default watermark