2 TSX Dividend Stocks Completely Loaded With Cash

Description

With the coronavirus lingering out there, never has it been more vital to conduct a careful analysis of a firm behind a TSX dividend stock's balance sheet to determine what's liquid and what's not. Liquid firms have what it takes to weather the coronavirus typhoon that'll probably last a lot longer than most bulls expect. Firms with less-than-stellar liquidity positions could be at risk of diluting shareholders, cutting dividends, or even going belly up.

There's no telling just how badly a firm's operating cash flows will be affected by this pandemic. But with favourable liquidity positioning, the odds of being left holding the bag with a dividend cut alongside substantial capital gains can be lowered the better a firm's relative liquidity position.

A robust utility, which stands to see its regulated cash flow stream be minimally impacted by COVID-19, has less of a need for excessive amounts of liquidity relative to an airline, which could go under, as cash burn rates mount with minimal incoming revenues.

This piece will have a look at two highly liquid TSX dividend stocks that are gushing with cash and are more likely to raise their dividends at a time when dividend reductions are slowly becoming the norm. Shares of both dividend stocks also happen to be undervalued at the time of writing, making both timely bets for bargain hunters with excess Tax-Free Savings Account (TFSA) cash to put to work.

Canadian Tire: A TSX dividend stock with plenty of cash on the sidelines

Canadian Tire (TSX:CTC.A), the iconic Canadian retailer, has been under pressure amid the coronavirus pandemic.

Government-mandated shutdowns weighed on the results in the last quarter. Still, with a robust e-commerce platform that can offset a portion of the carnage facing the firm's brick-and-mortar business, the good, ol' Tire has been weathering the unprecedented headwinds far better than most other physical retailers out there, specifically the smaller ones that are lacking on the liquidity front.

Another wave of COVID-19 shutdowns could be upon us, and if that's the case, only the most liquid retailers will be seen as those still wearing swim trunks as the tides look to go out again. Canadian Tire, with 1.21 and 1.65 quick and current ratios, respectively, make it one of the most liquid TSX dividend stocks that investors could buy on the dip.

Canadian Tire has over $650 million in cash as of Q1 2020 that'll be reinvested in the business as well as put towards the bountiful 3.9%-yielding dividend that could continue to grow at a solid rate over time. To make the CTC.A story even more attractive, the stock currently trades at 1.74 times book — the lowest it's been in over five years.

Nutrien: A well-capitalized rebound play at a huge discount to book

Nutrien (TSX:NTR)(NYSE:NTR) is a fertilizer kingpin that begs for investor patience. The company has been on the receiving end of major industry headwinds that may take that much longer to pass, as agricultural commodity prices remain under pressure for the duration of this pandemic.

With a 5.7% yield, Nutrien is a compelling TSX dividend stock for investors who demand a wide margin of safety. The stock trades at a mere 0.85 times book and 0.93 times sales, both of which are close to the lowest they've been in recent memory. For a firm with the competitive advantage of having some of the lowest costs of potash production, you'd think the stock would command a "moaty" premium, but after tumbling for years, the stock has shed any such premium, with shares now trading at a 15% discount to book.

On the liquidity front, Nutrien gets top marks, with a 1.07 current ratio (the 0.54 quick ratio is nothing to write home about, though). And in terms of solvency, the firm also has a manageable amount of debt on its balance sheet (0.68 debt-to-equity ratio).

While there's no question that Nutrien will continue to feel the pressure of the unfavourable commodity price environment, the firm is so well-capitalized that investors can expect to be compensated handsomely for their patience as they wait for the tides to turn.

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1. Coronavirus
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1. NYSE:NTR (Nutrien)

2. TSX:CTC.A (Canadian Tire Corporation, Limited)
3. TSX:NTR (Nutrien)

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