Buy This 1 Top TSX Dividend Stock With +250% Returns Potential

Description

Dividend investing is a popular way to earn passive income from a portfolio of personal assets. The lowest risk route to such income is via blue-chip stocks with proven track records. This combination of reliability and predictability is a strong way to build a portfolio based on steady wealth creation. Below is a breakdown of a key Canadian name that could help to build defensive backbone in just such a portfolio.

Buying strong dividend stocks? Think "diversification"

One of the strongest plays for predictability in dividend stocks is to single out diversified businesses. Dividends in the 1.35% to 1.5% range suggest **Lundin Mining** (TSX:LUN) as a solid choice for a metal commodities income investing thesis. A low 57% payout ratio suggests a reliable yield. And with operations in North and South America, Europe, and beyond, Lundin's portfolio of assets is reassuringly diverse.

Value for money looks only so-so on the face of it. However, with a P/B ratio of 1.7 Lundin is considerably better value than the average Canadian metals stock, which weighs in at around three times book. Lundin's higher price targets are moderately appealing, especially to the commodities investor more focused on capital gains. Selling at $11.30 a share, Lundin could reach $13 with the right conditions.

The outlook for copper is growing stronger by the day. Boasting the sturdiest fundamentals among the base metals, and with demand creation set to skyrocket, copper could become a go-to for growth investors. Taking in everything from tech to the green economy, copper is a one-size-fits-all commodity.

A healthy stock for low-risk wealth generation

Lundin's debt to equity is exceptionally low. At just 0.07, this ratio denotes a squeaky-clean balance sheet, making Lundin a sleep-easy pick for low-risk, long-range dividend investors. One thing that does detract from the low-risk thesis, though, is a 36-month beta of 1.6. However, given the behaviour of gold stocks last year, this indicator of price variability is not a surprise.

And yes, Lundin does count as a gold stock. Though its assets are weighted towards copper, zinc, and nickel, the precious yellow metal also features among the miner's operations. Year on year, Lundin shares have climbed 42%, exhibiting some of the rapid upside of its sector, as well as its risk for downside. It's not hard to see, therefore, how Lundin's current price tag of $11.30 earns it only a "moderate buy" consensus.

But mix those dividends with that capital gains potential, and Lundin shareholders could cream 263% total returns by 2026. Even without including dividend returns, Lundin shares could gain 237% according to conservative estimates. In summary, this stock could add a bit of backbone to a portfolio founded on a "growth at a reasonable price" philosophy. And if copper prices continue to swell, Lundin could become a multi-year capital gains generator.

In short, the industrial thesis is exceptionally strong here. Both the electric vehicles and renewables sectors make heavy use of the orange metal. And since copper sales make up around 66% of Lundin's revenues, impressive copper demand generation potential places the miner in high-growth territory. This suggests that Lundin should continue to be skewed towards the upside in 2021.

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