3 Dividend Stocks That Can Beat the TSX in 2021

Description

When it comes to investing in the equity markets, people are always on the lookout for stocks that have the potential to outperform the broader markets over the long term. This means you need to identify stocks that have the ability to generate sustainable profits and predictable cash flows.

We'll look at three companies on the TSX that can beat the index this year.

Equitable Group

Equitable Group (TSX:EQB) is a Canada-based financial services company that operates through its wholly-owned subsidiary Equitable Bank. EQ Bank is now Canada's ninth-largest independent Schedule I bank and is a market leader in residential lending. It also offers products in the commercial lending space and a slew of savings solutions to Canadians.

EQ Bank's Savings Plus Account offers an interest rate of a tasty 1.5% with zero monthly account and daily banking fees. EQ Bank is one of the top alternative lenders in Canada and its performance is directly related to a strong housing market.

In the third quarter of 2020, Equitable Group's adjusted earnings per share soared by 30% year over year to $4.13. It also declared a quarterly dividend of $0.37 per share indicating a forward yield of 1.36%.

Analysts tracking EQB stock expect the company to increase sales by 5.7% to $489 million in 2020, while earnings are estimated to increase by 1.4%. Bay Street then expects Equitable Group to increase sales by 10.5% and earnings by 13.2% in 2021.

In the next five years, EQB is expected to grow its earnings at an annual rate of 24.4% making it one of the most undervalued stocks on the TSX given its forward price-to-earnings multiple of 8.74.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is a diversified energy infrastructure company that has underperformed the TSX in the last year. The COVID-19 pandemic decimated companies that are part of the energy sector due to economic shutdowns that resulted in tepid demand for crude oil.

However, Enbridge is one of Canada's largest companies and it has a resilient business model. The company derives over 90% of its cash flows from long-term contracts, making it almost immune to fluctuations in commodity prices.

Enbridge is a company that has experienced multiple economic downturns, but it managed to outperform the broader markets on a consistent basis. It is a Dividend Aristocrat and increased dividend payouts at an annual rate of 11% since 1995.

Enbridge stock has a forward yield of a juicy 7.54%, which means a $10,000 investment in the company will yield $754 in annual dividends. Analysts tracking Enbridge stock have a 12-month average target price of $51.15, which is 15.4% higher than the current trading price.

Bank of Nova Scotia

Stocks in the banking sector have also been hit amid the pandemic. As Canada's unemployment rates surged higher, investors were worried about an uptick in delinquency rates. Further, a low interest rate environment is also expected to weigh heavily on the bottom line of financial institutions, including **Bank of Nova Scotia**.

However, the federal benefits and quantitative easing measures have helped millions of Canadian individuals and businesses in the last year, which has led to a recovery in stocks such as BNS.

BNS stock is trading at $70, which indicates a forward yield of $5.14.

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araghunath