Get a +4% Dividend From These 2 Cheap Stocks

Description

Buying dividend stocks at cheap valuations should not only lead to decent price appreciation but also nice dividend yields. I'll introduce two cheap Canadian Dividend Aristocrats that offer yields of more than 4% right now!

Manulife stock yields 4.5%

Last year, which was hit by the new coronavirus pandemic, was a testing time for businesses. **Manulife** (TSX:MFC)(NYSE:MFC) remained resilient with adjusted earnings per share (EPS) declining by only 7% and assets under management and administration climbing 10% to $1.3 trillion.

The life and health insurance company was able to maintain its dividend-growth streak. Specifically, MFC stock has increased its dividends for seven consecutive years with a five-year dividend-growth rate of 11%.

Based on the current quarterly dividend of $0.28 per share, this year's estimated payout ratio of about 35% is relatively low compared with its historic levels.

The dividend stock also remains depressed. At just under $25 per share at writing, it trades at a blended price-to-earnings ratio (P/E) of about 8.4, which is cheap for the expected EPS growth rate of approximately 6-13% per year over the next three to five years.

Importantly, the cheap valuation allows income investors to buy the stock for an initial yield of close to 4.5% that's very attractive given the low interest rate environment. The stock is also likely to increase its payout over time.

Additionally, Manulife generates more than a third of its revenues from Asia, which could boost long-term growth. Indeed, Manulife started 2021 with the strongest growth of 34% in new business value in Asia versus 1% in Canada and 22% in the United States in Q1.

Assuming a 7% EPS growth rate and a target P/E of 10, the cheap stock can deliver annualized returns of about 14% over the next five years.

Stingray stock yields 4.1%

Montreal-based **Stingray Group** (TSX:RAY.A) is a music, media, and technology company that provides curated direct-to-consumer and business-to-business services. It has approximately 400 million subscribers or users in 160 countries.

Stingray reported its fiscal Q4 2021 results this month. Revenues and adjusted EBITDA, a cash flow proxy, declined by 12% (to $60.3 million) and 16% (to $23.6 million), respectively.

However, management noted that its adjusted EBITDA margin remained stable. The company is still generating substantial cash flow — operating cash flow increased 74% to $24.5 million.

During the quarter, the company repurchased and canceled $6.8 million worth of shares at about $7.03 per share. The stock trades at around that level at writing.

The full fiscal 2021 results provide a bigger picture. Revenues and adjusted EBITDA declined by 19% (to $249.5 million) and 3% (to $114.3 million), respectively.

Notably, the adjusted EBITDA margin improved from 38.5% to 45.8%. Operating cash flow increased 18% to $104.2 million, while adjusted free cash flow fell 5% to $74.4 million.

During the year, the company repurchased and canceled $10.2 million worth of shares at about $6.67 per share.

The value stock is projected to grow EPS by 5-10% per year over the next couple of years. Assuming a fair P/E of 10, it has 38% upside potential. It also pays to wait — it yields 4.1%. It has increased its dividend for six consecutive years. Its trailing 12-month (TTM) dividend per share is 3.4% higher than the previous TTM period.

The Foolish takeaway

Manulife and Stingray stocks are relatively cheap stocks versus the all-time high Canadian stock market. They also provide nice yields of more than 4% for income generation that adds to total returns. Interested investors should investigate the dividend stocks further.

CATEGORY

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2. TSX:MFC (Manulife Financial Corporation)
3. TSX:RAY.A (Stingray Group Inc.)

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