2 Top TSX Dividend Stocks on Sale in October

Description

Income investors have a chance to buy some attractive TSX dividend stocks at discounted prices.

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Telus

Telus (TSX:T)(NYSE:TU) delivered a strong Q2 in 2021, and the outlook for the communications company remains positive heading into 2022 and beyond.

The business reported consolidated revenue and EBITDA growth of 10% in the quarter compared to the same period last year. Net income increased 9.2% and earnings per share rose 8.7%.

Management reaffirmed 2021 guidance of revenue growth of 10% and EBITDA growth of 8% compared to 2020.

Telus works hard to keep its customers happy. The efforts seem to be paying off, as the company continues to see strong loyalty across the business lines. Mobile customer churn was less than 1% in the quarter. Telus had 223,000 net customer additions, with strong growth in both the mobile and wireline segments.

Telus spent $1.9 billion on new spectrum this year to support its 5G network initiatives. The company has accelerated its broadband expansion program through 2022.

Capital expenditures should start to drop in 2023, leaving more cash flow available for distributions. Telus has a great track record of dividend growth, and investors could see annualized increases of 8-10% over the medium term. The stock trades near $27.50 at the time of writing compared to the 2021 high around $30. At the current price, investors can pick up a solid 4.6% dividend yield.

Manulife Financial

Manulife (TSX:MFC)(NYSE:MFC) reported solid Q2 2021 results. Core earnings rose 18% year over year to $1.7 billion. Strong performances from the Asia operations, wealth and asset management, drove the gains. Manulife is doing a good job of keeping expenses under control, with an expense efficiency ratio of 48.6% in the quarter — well below the 50% target.

The company continues to invest in digital solutions to improve client experiences and drive more efficiency into the business. Manulife's progress on this initiative before the pandemic helped the firm navigate through the past 18 months in good shape.

Manulife pays a quarterly dividend of $0.28 per share. The dividend has been on a steady increase after the company was forced to slash the payout by 50% during the financial crisis. Looking ahead, distribution growth is expected to continue. Manulife made changes in its business lines to address the risks that put the company in a tough spot during the Great Recession, so another dividend reduction on a market meltdown is less likely to occur.

The stock trades near $24.50 at the time of writing. That's down from the 2021 high above $27.50, so there is an opportunity to buy MFC stock on a decent pullback right now. Investors who add the stock to their portfolios at this price can pick up an annualized dividend yield of 4.6%.

Interest rates are expected to increase in the next few years. That should be positive for Manulife. The company has to set aside significant cash to cover potential insurance claims, so higher rates enable Manulife to earn better returns on those funds. When you are talking about billions of dollars, a 1% improvement on a fixed-income investment makes a big difference.

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The bottom line

Telus and Manulife are leaders in their respective industries. The stocks appear cheap right now and offer dividend investors above-average yields. If you have some cash to put to work, these companies deserve to be on your radar.

CATEGORY

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3. TSX:MFC (Manulife Financial Corporation)
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