The Best Canadian Dividend Stocks: 2 Lower-Yield Stocks With High-Growth Potential

Description

If you're a dividend investor that's looking for the best Canadian dividend stocks to buy, you might think that finding high-yield investments is a good way to go.

Don't get me wrong. A high-yield stock can offer many advantages, as long as its dividend payments are safe and there's no risk of the payout being trimmed in the near term.

However, when stocks pay a dividend with a higher yield, they are often paying out most or all of the cash they earned in the quarter. This can be great for dividend investors looking for a tonne of passive income.

But if you're a younger investor with a longer timeline, it's probably more beneficial to find a lower-yield dividend stock. Why? Because stocks that pay less to investors can keep more money to invest in expanding the operations and growing the business. And often, these companies can earn an impressive return on capital, which is why you invested your money in the first place.

So, if you're looking for some of the best Canadian dividend stocks you can buy for your portfolio, here are two lower-yield stocks that could actually be some of your portfolio's top performers.

A top Canadian convenience store and gas station operator

One of the top long-term growth stocks in Canada and a Canadian Dividend Aristocrat is **Alimentation Couche-Tard** (TSX:ATD.B), despite its low yield of just 0.7%.

If you're buying Couche-Tard, though, it's certainly not for the passive income it can offer, but more so because it's one of the fastest-growing and most resilient companies in Canada.

Over the last 10 years, Couche-Tard has grown rapidly by acquisition, expanding its operations all over the world and earning investors a total return of more than 950%.

The company may have a low dividend yield, but it only pays out less than 10% of its operating cash flow. Plus, it spends between four and five times as much on capital expenditures.

And as long as Couche-Tard can continue to grow the business as well as the share price at such an impressive rate, this is clearly the most prudent use of capital. So, even though the stock doesn’t even yield 1%, Couche-Tard is still one of the best Canadian dividend-growth stocks you can buy.

The company reports earnings after the market closes today, so it will be interesting to see how it performed through the summer and what its guidance is for 2022.

Couche-Tard has a history of finding opportunities to grow no matter what the economic environment is like. So, I’d pay attention to its earnings, it could be an excellent opportunity to take a long-term position.

One of the best Canadian real estate stocks for dividend investors to consider

Another investment and one of the best Canadian dividend stocks to buy in the real estate sector is **Canadian Apartment Properties REIT** (TSX:CAR.UN). CAPREIT is a massive fund with over 65,000 sites and suites, giving it a tonne of resilience and safety.

Residential real estate is one of the best and safest industries to invest in, considering that people always need somewhere to live. So, the whole sector is extremely recession-proof. Plus, for a fund that operates in an industry that’s defensive, CAPREIT offers investors incredible long-term potential.

Over the last 10 years, the fund has managed to earn investors a total return of more than 300%, or a compounded annual growth rate of roughly 15%. That’s not only incredible, but it’s also been extremely consistent growth.

Canadian Apartment Properties has been taking advantage of low interest rates and expanding its portfolio considerably. This has led to a rapid increase in its net asset value. In addition, it’s also investing in upgrading its properties, which allows it to charge more for rents and increases its income.

And although it’s one of the best dividend-growth stocks to buy, as it’s also a Canadian Dividend Aristocrat, it still offers a lower yield of just 2.5%.

However, like Couche-Tard, CAPREIT invests a tonne of its capital in expanding its operations. So, as long as the fund can continue to grow investors’ capital at an impressive rate, it will continue to be one of the best Canadian dividend stocks to own.

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