2 Canadian Dividend Stocks That Could Surge

Description

Canadian dividend stocks with sizeable yields aren't typically the most generous on the capital gains front. To find greater upside with generous high yielders, it can pay to look to the misunderstood names whose growth stories are underestimated. In this piece, we'll have a look at two Canadian dividend-growth stocks that are also capable of growth-stock-like gains over the next three years. Without further ado, consider Quebec telecom firm **Quebecor** (TSX:QBR.B) and **TC Energy** (TSX:TRP)(NYSE:TRP).

Quebecor

Quebecor is a bit of a strange play. It's an outsider looking into the market that's been dominated for years by the Big Three telecoms. With rumours swirling about how Quebecor could buy Freedom Mobile to push for greater competition in Canada's wireless scene, there's no question that Quebecor, a Quebec-focused firm, has much in the way of upside, as it makes the jump to become a national carrier.

There's no question that Quebecor becoming player number four in Canada's not-so-crowded telecom scene will not be without its fair share of challenges and setbacks. A lot of things can go wrong, and the amount of spending is almost guaranteed to be considerable. That said, breaking into an oligopolistic market does have its advantages. Indeed, Canadians pay hefty telecom fees, lining the pockets of investors in Canada's top telecoms. If Quebecor joined the club, it could grow its cash flows at a much quicker rate. Undoubtedly, a successful push into the Big Three would likely accompany a higher multiple on shares of QBR.B.

Today, Quebecor stock trades at a mere 12.7 times trailing earnings alongside a 3.8% dividend yield. Shares are flirting with a bear market, down over 18% from its high. I think the laggard won't be held down long, especially if the solid management can find success outside of Quebec's borders.

TC Energy

TC Energy is a Canadian pipeline stock that's really dragged its feet over the past five years, going virtually nowhere. The stock boasts a solid 5.7% yield, but for some reason or another, the stock can't deliver on the capital gains front. Whether it be broader weakness in fossil fuels or the COVID-induced delays and cost overruns in the Coast GasLink pipeline, shares can't seem to catch a break from the selling pressure.

There are no easy ways around Coastal GasLink woes. Still, with fossil fuels rallying nicely over the past year and a half, investors have a safe passive-income source from the name. The company is expected to grow its dividend at a mid-single-digit rate annually via growth initiatives. With a good amount of geographical diversification, TC Energy is not a name that income-savvy value investors should sleep on. Shares trade at 32.3 times earnings. Not the cheapest in the world, but in terms of pipelines, TC looks like one of the most resilient out there.

For those willing to look beyond recent woes, there is a lot to gain, likely more than just the handsome yield. For now, shares are trading water, down around 19% from its peak levels hit prior to the coronavirus crash.

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