2 Top Dividend Stocks to Buy in May 2022

Description

If you've got some extra cash on hand, you should take a look at these two top dividend stocks. They're trading at good valuations now and provide beat-the-market growth potential. Additionally, they also pay an increasing dividend sustainably.

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Brookfield Asset Management stock

Brookfield Asset Management (TSX:BAM.A)(NYSE:BAM) is a solid long-term investment. By "long term," I mean it can be held for decades. On first glace, investors might brush off the dividend stock because of its small yield of about 1%. However, the business is poised to grow.

Let's take a quick look at its historical performance to indicate the stock's potential. In the last 10 years, the growth stock delivered total returns of about 17.6%, which outperforms the market and equates to five times investors' money in that period.

The alternative global asset manager invests in a diversified set of sectors, including infrastructure, real estate, renewable power, private equity, and credit. Most of its assets generate substantial cash flow. Overall, it aims for long-term returns on investments of 12-15% annually. Since it has not disappointed investors in that aspect in the long run, its investment funds have easily attracted billions of dollars of capital. As an asset manager, it also earns management and performance fees for its funds. These have been growing at a double-digit rate.

While growing the business, the growth stock doesn't forget to consistently increase its dividend. Long-term investors like growing dividends. And in the past decade, BAM stock has increased its dividend at a compound annual growth rate of 8.4%, which is decent given its double-digit total returns.

The 12-month analyst consensus price target implies the stock is undervalued by about 21%. So, interested investors can start a position at current levels. If you're worried about the trend of investors selling in May and going away, you can wait for the stock to stop the current correction before buying.

Savaria stock

Savaria (TSX:SIS) stock also appears to be an interesting buy in May 2022. It has corrected about 30% from its high in 2021 after tripling from its pandemic market crash low in March 2020. According to the 12-month analyst consensus price target, the industrials stock is undervalued by close to 37%!

For buying the dividend stock now, investors get a decent initial yield of just over 3.2%. This dividend appears to be sustainable by strong free cash flow generation. Specifically, its free cash flow payout ratio is estimated to be 45% this year.

Despite having cyclical earnings, Savaria has earned the prestigious Canadian Dividend Aristocrat status with a 10-year dividend-growth rate of about 17%. Investors should consider buying low and selling high in Savaria stock.

The stock is a good value, but it has been in a downward trend since October. So far, no support is in sight. As a result, if you like the company, consider taking small bites at a time.

The Foolish investor takeaway

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While these dividend stocks are getting cheap, they could experience a further selloff in the sell-in-May-go-away scenario. Interested investors may consider building their positions over time or set lower buy price target ranges. Regardless, both stocks are trading at good value and provide exceptional growth potential for long-term investment.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:BN (Brookfield Corporation)
2. TSX:BN (Brookfield)
3. TSX:SIS (Savaria Corporation)

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