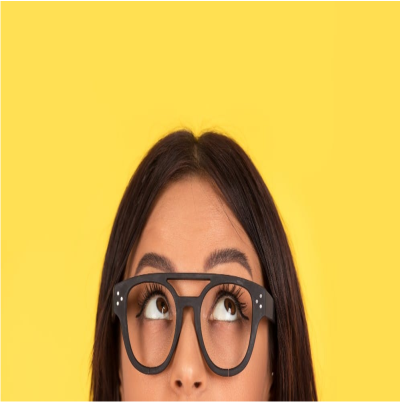

3 Dividend Stocks Perfect for New Investors to Buy in May 2022

Description

Market downturns are not fun, especially for new investors. Even experienced investors can feel butterflies in the stomach. However, when you experience those uncomfortable feelings, it's probably a good time to buy shares in quality stocks.

Here are three attractive dividend stocks new investors can start buying in May 2022. From their dividends alone, these solid stocks can generate stable returns for their shareholders no matter what the stock price does. In the long run, the group of stocks should increase investors' wealth from their regular (and likely increasing) dividends and steadily rising stock prices.

CIBC stock

The Big Five Canadian banks serve as anchors for diversified investment portfolios and are commonly held by dividend investors. Currently, **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) stock provides a high yield of 4.6% at about $140 per share at writing.

At this quotation, it trades at a decent discount of approximately 19% from the 12-month analyst consensus price target of $173.89 per share, according to Yahoo Finance. It also trades at about 9.4 times earnings, which is roughly an 8% discount from its long-term normal valuation. In other words, the stock is reasonably priced and can potentially deliver total returns of roughly 12% per year over the next three to five years.

CIBC stock's payout ratio is about 42% of this year's earnings. So, its juicy dividend is sustainable, and investors can expect increases in the future.

Canadian Tire stock

Despite being categorized as a consumer cyclical company, **Canadian Tire's** (TSX:CTC.A) adjusted earnings have been more stable than CIBC's through economic cycles in the last two decades or so. Canadian Tire has multiple banners that target different niches, including but not limited to Mark's, a clothing and footwear retailer that specializes in casual and industrial wear, Party City, and Sport Chek.

From 2007 to 2021, Canadian Tire increased its adjusted earnings per share at a compound annual growth rate (CAGR) of 9.9% and its dividend per share at a CAGR of 14.3%. Its payout ratio is only about 30% of earnings.

Additionally, the retailer has invested in e-commerce and has been making strides in that area. Going forward, the company should be able to maintain earnings and dividend growth. Currently, it starts investors with a yield of about 3%. And analysts believe the dividend stock is undervalued by about 26%.

Algonquin stock

Algonquin Power & Utilities (TSX:AQN)(NYSE:AQN) is an oversold utility stock for new investors to look into. At writing, it yields close to 5%. On top of that, it has upside potential of about 20% over the next 12 months according to the 12-month analyst consensus price target.

Algonquin consists of a diversified portfolio of regulated utilities and renewable power assets. Its regulated assets are diversified across natural gas, electric, and water utilities, while its non-regulated renewable power portfolio includes energy sources from wind, solar, hydro, and thermal. Its non-regulated portfolio is primarily characterized by long-term contracts that support stable cash flow generation.

As a smaller utility than many of its peers, the dividend stock has been growing faster, which has translated to a dividend-growth rate of 9.5% in the last decade. Now that Algonquin is much larger with total assets of over $20 billion, its growth rate will likely be stable in the range of 6-8%. Consequently, total returns of about 11% annually are possible, even when valuation expansion doesn’t come into play over the next few years.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:CM (Canadian Imperial Bank of Commerce)
3. TSX:AQN (Algonquin Power & Utilities Corp.)
4. TSX:CM (Canadian Imperial Bank of Commerce)
5. TSX:CTC.A (Canadian Tire Corporation, Limited)

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