2 Top TSX Dividend Stocks for Total Returns

Description

Investors who are setting up their self-directed TFSA or RRSP portfolios want to own stocks that can give them steady passive income and a shot at decent capital gains.

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BCE

BCE (TSX:BCE)(NYSE:BCE) is a good example of one of those stocks investors can buy and simply sit on for decades. The communications giant enjoys a wide competitive moat in the Canadian market and has the financial clout to make the investments needed to protect its position and drive revenue growth.

BCE is running fibre optic lines right to the buildings of its business and residential customers. This gives subscribers the broadband capacity they need for work or entertainment while ensuring that BCE owns the connection to the customer. BCE expects to connect an additional 900,000 clients with fibre optic lines this year.

BCE is also ramping up investments on its 5G network. The company spent $2 billion in 2021 on new 3,500 MHz spectrum that will support the expansion.

BCE reported strong Q1 2022 results. Organic wireless services revenue growth was the best in the past 11 years and net retail internet and IPTV activations jumped 20% over the same period in 2021.

Adjusted EBITDA came in 6.4% higher, and adjusted net earnings increased by 15% to $811 million in the quarter. Media revenue increased by 15.7% in Q1 compared to Q1 last year, as advertising spending recovered from the pandemic downturn.

BCE expects adjusted earnings per share to grow 2-7% in 2022, and free cash flow growth is targeted at 2-10%. This should support a solid dividend hike in 2023. BCE raised the payout by 5% for 2022, marking the 14th consecutive year of dividend increases at 5% or higher.

The stock is off the 2022 high, giving new investors a chance to buy BCE on a dip and collect an attractive 5.3% dividend yield.

Long-term investors have done well with BCE stock. A $10,000 investment in the shares 25 years ago would be worth about $235,000 today with the dividends reinvested.

Bank of Nova Scotia

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) looks undervalued right now at just 10.3 times trailing 12-month earnings. The stock price is down to $82 at the time of writing from $95 earlier this year. Fears of an economic slowdown and a potential plunge in the Canadian housing market have hit the share prices of all the Canadian banks. The steep rise in mortgage prices is going to cool off the hot housing market, but the pullback in the sector appears overdone.

Bank of Nova Scotia has a strong capital position and is using excess cash to buy back stock. The company also increased its stake in Scotiabank Chile this year and could make other strategic acquisitions to drive growth.

Bank of Nova Scotia's international operations located in Mexico, Peru, Chile, and Colombia are rebounding off the pandemic hit and offer strong growth potential in the coming decades, as middle-class wealth expands in the region. The four countries are home to more than 230 million people with banking penetration far below that of Canada.

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Bank of Nova Scotia increased the dividend by 11% for fiscal 2022. Another generous increase is likely on the way for next year. At the time of writing, investors can pick up a 4.9% dividend yield.

The bottom line on top stocks for new investors

BCE and Bank of Nova Scotia are top dividend stocks with attractive yields. Payout growth should be steady in the coming years, and the share prices look reasonable today. If you are searching for top stocks for total returns, BCE and Bank of Nova Scotia deserve to be on your radar.

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Date
2025/08/25
Date Created
2022/05/07
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