2 Dividend Stocks That Are Severely Undervalued

Description

When there's so much negativity, it's hard to think that something can go right for a change. Though dividend stocks have been dragged lower, I remain confident in their ability to bounce back. As for the technology stocks that lost 80-90% of their value, I'm not so sure they'll see their peaks anytime soon. It could take decades to recover from that kind of slip.

For dividend investors, there are a lot of places to look. The REIT space is on sale, as too are most other high-yield areas. Financials and defensives are also on sale. Utilities may not be too cheap, given their bond-proxy-like nature, but there's still some value in the space if you know where to look.

In this piece, we'll have a look at two dividend stocks to buy on the way down.

Restaurant Brands International

Restaurant Brands International (TSX:QSR)(NYSE:QSR) is a fast-food company that's fallen out of favour for years now. The management team has done a questionable job of bringing out the power in the trio of brands in Popeyes, Burger King, and Tim Hortons. And the recent acquisition of Firehouse Subs is also confusing. Though QSR isn't exciting, its ability to grow its sales through inflationary times is remarkable.

Remember, fast food tends to be in high demand during recessionary times. In inflationary times, when people are avoiding price increases, fast food is also the way to go. Arguably, stagflationary times could be a positive for QSR. It offers unmatched value for its offerings. Though cost increases will eat at margins, substantial sales growth could be in the cards. That in itself could be enough to move the needle higher.

All the while, management is looking to make things right, with various innovations and the modernization of existing stores. These are margin drivers that should boost sales.

Finally, you're getting a 4.2% dividend yield to collect while you wait for the tides to turn.

Scotiabank

On big down days like Monday, it seems like everything ought to be thrown in the penalty box. Tech stocks ought to surrender at least 5%, while speculative stocks are due to take +10% off their value. Meanwhile, stocks that probably didn't deserve to be hit — like **Scotiabank** (TSX:BNS)(NYSE:BNS) — are down by a more modest amount in line with the indices. On Monday — a bloodbath for markets — BNS stock fell less than 1%. That may not be a green day, but on such a vicious session, it's the closest thing to one!

Scotiabank stock will be dragged down alongside broader markets, as worry takes it to the next level. However, the key thing is that it doesn't deserve to be. Indeed, in times of market panic, it can pay dividends to look to companies that are babies thrown out with the bathwater.

Scotiabank's international business has been a source of pain for quite a while. The global scene hasn't been nearly as quick to rebound and if we are due for another recession, it could take longer to heal from any impending economic damage. That said, the higher risk of international exposure has likely been baked in. Further, those looking for emerging markets exposure would be best to obtain it during a brutal selloff.

At 10.2 times earnings, BNS stock is getting into deep-value territory again. And like in 2020, such a retreat could prove to be a massive buying opportunity.

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2. NYSE:QSR (Restaurant Brands International Inc.)
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