Top 2 Dividend Stocks for Beginners

Description

This might be a good time to snap up some dividend stocks. Some companies have seen a surge in earnings and a drop in stock prices in recent months. That's pushed the dividend yield higher. Here are the top two dividend stocks that should be on your radar in 2022.

Dividend stock #1

Telecommunications giant **Telus** (TSX:T)(NYSE:TU) is a top dividend stock. The stock is 10% off its 2022 highs. The selloff does not reflect a change in underlying fundamentals.

The operator of the largest telecom network in Canada has emerged as a defensive play in the market for people concerned about inflation. As a provider of mobile internet, TV, and security services to millions of people in Canada, it comes with a solid core business that can shrug off rising inflation. In addition, it has the power to raise prices for its services without the risk of losing subscribers.

The company reported a 6.4% increase in revenue to $4.28 billion in its most recent quarter. Profit in the quarter was up 21.3% year over year to $404 million, driven by an 80% surge in roaming revenues. Earnings per share, however, landed at $0.28 a share, up from $0.25 a share a year ago.

The company is already looking into the future, having embarked on a $1.9 billion spending spree to bolster its 5G network. It is also wrapping up its copper-to-fibre transition to enhance service delivery. The expansion should allow the company to generate more free cash flows for distributions.

Currently, Telus offers a decent dividend yield of 3.93%. While stock trades at a price-to-earnings multiple of 25, it is still an attractive play given its solid core business and robust growth outlook.

Dividend stock #2

BCE (TSX:BCE)(NYSE:BCE) is another great dividend stock that deserves a spot on your list. The stock offers a solid dividend yield that currently stands at 5.3%. That's despite a 20% surge in its stock price last year.

BCE stock is up by about 4% year to date, outperforming the TSX which is down by about 5%. The outperformance isn't surprising when you realize that the flight to safety in this market has benefited robust dividend stocks like BCE.

In the most recent quarter, the company delivered solid financial results characterized by adjusted earnings of $0.89 a share, beating consensus estimates of $0.81 a share. Net earnings were up 36% year over year to $934 million, as the company delivered the best organic service revenue growth in 11 years of 8.7%.

Growth prospects are based on the company's expansion of its fibre-optic lines to new customers as it looks to strengthen its revenue base. BCE plans to connect an additional 900,000 lines this year, as it looks to protect its wide competitive moat.

As BCE continues to rapidly build its fibre infrastructure and add more 5G equipment, it remains well positioned to increase its revenue and net income. Consequently, it should generate more free cash flow to support its high 5.3% dividend yield. Additionally, the stock is fairly valued with a price-to-earnings multiple of 20.

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