2 Dividend Stocks That Could Grow Despite the Recession

Description

Recessions have an impact on corporate earnings. Most companies see their margins contract and top line diminish during a downturn. This compels them to cut back on shareholder rewards and dividends.

However, some dividend stocks are better positioned and could even expand their payouts, despite the downturn. Here are the top two resilient dividend stocks income-seeking investors should keep an eye on this year.

Nutrien

Nutrien (TSX:NTR)(NYSE:NTR) has had a roller-coaster year, rallying at the start of the year by more than 80% to a new 52-week high of $150 a share. The rally came as the war in Ukraine triggered a significant increase in fertilizer prices. Fast forward, the stock has given back some of the gains.

Despite this pullback, Nutrien remains well positioned for 2022. It is still the biggest potash producer in the world, with a capacity of 21 million tons. The company plans to increase potash production by three million tons per annum. In addition, the demand for fertilizers remains robust because of the impending food crisis, something that should benefit the company’s potash business.

In the first quarter, Nutrien reported $1.4 billion in earnings, a 10-fold increase from Q1 2021 levels. Its gross margins also expanded to above 40%. Given the robust price environment and higher production, the company is expected to continue seeing margin expansion.

Management hiking earnings guidance on higher demand and supply constraints in Europe signals the company is in for a record-breaking year on the earnings front. As a result, adjusted earnings are expected to come in at $17.45 a share, which is better than the previous guidance of $11 a share, representing a 180% year-over-year increase.

After the recent pullback, Nutrien is trading at a discount with a price-to-earnings multiple of 10. Improving underlying fundamentals makes this a reliable dividend stock in 2022. The stock currently offers a 2.3% dividend yield that could improve by the end of the year.

Pembina Pipeline

Pembina Pipeline (TSX:PPL)(NYSE:PBA) has been clawing its way back up after a steep pullback from 52-week highs of $53 a share. The pullback came as oil and natural gas prices retreated from multi-year highs.

However, with signs energy prices will remain elevated for the remainder of the year investors are increasingly taking note of the high-quality stock best known for its bumper dividends.

The company is best known for offering essential transmission, gathering, and logistics services for commodity producers. It operates pipelines used in the energy industry to transmit oil and natural gas. The company has grown steadily via strategic acquisitions and internal development projects. Despite the recent pullback in oil and natural gas prices, the drop is not expected to significantly impact the company's margins.

Pembina Pipeline has over 90% of its assets contracted, so it can generate revenue regardless of the economic situation. In addition, its outlook remains positive, with oil prices above the US$100-a-barrel level.

Pembina stock currently offers a 5.4% dividend yield that's likely to rise in the months ahead. Meanwhile, the stock is beaten down and trades at just 16 times earnings. It's not the cheapest dividend stock on the market right now. But it could be one of the most reliable ones during a potential recession.

Keep an eye on this energy stock.

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