



2 No-Brainer U.S. Stocks for Investors in August

Description

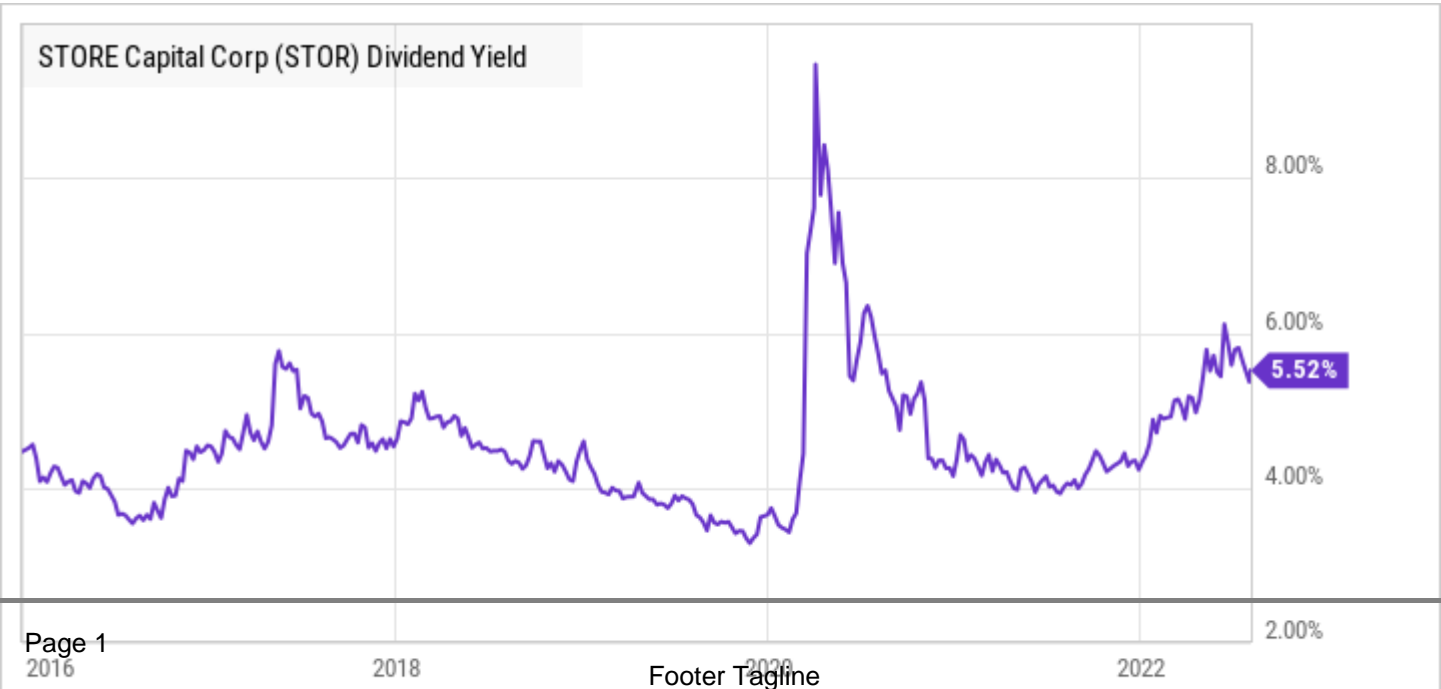
The U.S. stock market is down about 13.9% from its peak, underperforming the Canadian stock market by about 2.3%. Additionally, the stock market in the U.S. is the largest in the world. So, it makes good sense for Canadian investors to shop south of the border.

Here are a couple of no-brainer U.S. stocks for investors in August.

STORE Capital for a 5.5% dividend

In general, rising interest rates have pressured real estate investment trust ([REIT](#)) stocks, which tend to have substantial mortgage loans on their balance sheets. Particularly, **STORE Capital** ([NYSE:STOR](#)) is down 23% from its 52-week high.

Inversely, its dividend yield is elevated to 5.5%, which is attractively at the high end of its dividend yield range, perceiving the 2020 spike to be an outlier that happens once in a blue moon. The REIT's payout ratio this year is estimated to be sustainable at about 71%. Investors can also anticipate a dividend hike of more or less 5% next month.



STOR Dividend Yield data by YCharts

The company sources and investigates single-tenant commercial real estate opportunities one at a time. It focuses on unit-level profitability to ensure the tenant has strong rent coverage. Then it purchases the property, and the original landlord (who is also the business owner) gets money to grow their business, and STORE Capital rents it back to them on a net-lease basis. Substantially, all of its leases are triple-net, which implies tenants are responsible for property maintenance and upgrades, insurance, and property taxes.

This makes STORE Capital's cash flow highly predictable. In 2021, its weighted average initial lease rate was 7.5% with lease escalations of 1.9% annually. Not surprisingly, since starting a dividend in 2014, the REIT has been increasing it every year. Its five-year funds-from-operations and dividend-growth rates (DGR) are both 5.9%.

Assuming a 5.5% growth rate, the dividend stock can deliver respectable total returns of roughly 10-14% per year over the next five years, depending on how much valuation expansion plays out.

If you have room in your [RRSP/RRIF](#), you should consider holding STOR there, where the 15% U.S. withholding tax on the foreign dividend could be exempt.

Comcast stock for price gains

Comcast (NASDAQ:CMCSA) stock had a substantial run-up of 85% from the March 2020 pandemic market crash to the peak in September 2021. At the top, the stock traded at over 20 times earnings, which is on the expensive end of the spectrum for the largely predictable business. The high valuation and talks of increasing competition have caused a substantial selloff of 38%.

In the second quarter, the telecom losing net customer relationships of 28,000 in its core Cable business, which draws in the most revenue and profits, may be scaring investors away from investing in the undervalued dividend stock. Investors should note that it had net additions of 591,000 over the last 12 months. Moreover, the segment improved its adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization) margin by 0.70% to 44.9% (a record high) year over year, boosting its adjusted EBITDA (a cash flow proxy) by 5.3% to US\$7.4 billion.

Its theme parks also came in with very strong results — revenue growth of 65% to US\$1.8 billion and adjusted EBITDA growth of 187% to US\$632 million, leading the NBC Universal segment.

Despite the selloff, Comcast stock has delivered solid 10-year total returns of about 10% per year. Since starting a dividend in 2008, Comcast has increased it every year. Its five-year DGR is 12.8%. Comcast will continue to grow its earnings, cash flow, and dividends. It's a rare opportunity for Canadian investors to buy the quality stock on sale.

The stock yields roughly 2.8%. Since most returns will come from price appreciation, Canadian investors can consider holding the stock in their non-registered accounts.

CATEGORY

1. Dividend Stocks

2. Investing

TICKERS GLOBAL

1. NASDAQ:CMCS.A (Comcast Corporation)
2. NYSE:STOR (Store Capital)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. kayng
2. kduncombe

Category

1. Dividend Stocks
2. Investing

Date

2025/08/22

Date Created

2022/08/14

Author

kayng

default watermark

default watermark