Beginners: 2 Dividend-Growth Stocks to Buy Now and Hold Forever

Description

Beginner investors shouldn't be rattled by the recent swoons in the broader markets. Though the U.S. Federal Reserve (the Fed) spooked investors on Wednesday over the continued fight against inflation, this rally seems unlikely to be derailed. In any case, there are still plenty of dividend-growth stocks out there that seem to be trading at a solid discount to their intrinsic value.

In this piece, we'll have a look at two proven dividend growers that seem like terrific buys, even if they weren't the same bargains they were just over a month ago.

Consider **CP Rail** (TSX:CP)(NYSE:CP) and **CIBC** (TSX:CM)(NYSE:CM).

CP Rail

CP Rail is a top railway firm that could grow its earnings by leaps and bounds over the next decade, as it integrates its latest prize: Kansas City Southern. Undoubtedly, there was a bitter bidding war with a fellow rival in the Canadian rail scene to get the right to scoop up KSU's assets. But with the deal given the green light by U.S. regulators, the recent relief rally may have room to run, as CP looks to become the preferred option for shipments crossing the U.S.-Canada and U.S.-Mexico borders.

Indeed, CP stock is anything but cheap at these levels. The $100 billion railway trades at north of 36 times price-to-earnings (P/E) ratio, which is on the high side of the historical and rail industry range. At around $106 and change per share, investors will be paying a hefty premium for a wide-moat firm that could have the means to hike its dividend at a high-single-digit or low-double-digit rate every year.

The KSU debt may weigh down the balance sheet for the time being, but it seems as though investors have looked beyond such to the potential synergies to be had from KSU. Annual synergies could reach around $1 billion within three years, as the two high-growth railways look to bring out the best in each other. Should the coming recession prove mild, I think there's a good chance CP could surpass its initial estimates. Indeed, KSU is in excellent hands and should help power many solid growth days ahead, making CP stock a terrific long-term buy, even at these lofty valuations.

Billionaire hedge fund manager Bill Ackman is still a big fan of CP stock, even at these heights. The legendary investor is back aboard the profit train and may not be so quick to leave after noting he regretted his previous departure.

CIBC

CIBC is a Canadian banking underdog that's easy to count out for one of its bigger brothers. Indeed, the bank crashed hard during the Great Financial Crisis and took a while longer than the Big Six to recover. Though CIBC has an above-average amount of Canadian mortgage exposure, investors should be comforted by the new management team and their ability to navigate future economic downturns.

At writing, shares of CM trade at 9.69 times trailing P/E, which is well below industry averages — likely due to CIBC's heavy housing exposure. As interest rates rise, the housing market will feel increasing pressure, and despite sore spots in the housing market, I don't see CIBC suffering from catastrophic loan losses as a result of the current tightening cycle.

Still down around 18% from its all-time high of about $83 per share, CIBC is a magnificent value pick for those seeking a catch-up value play for the second half.

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Date
2025/08/22
Date Created
2022/08/18
Author
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