Passive Income – 3 Dirt Cheap Stocks Raising Their Dividends

Description

If you're a value investor, there's a good chance you like dividends. Value investing and dividend investing overlap one another, and for good reason. Most of the best known value sectors (banks, energy, utilities) pay dividends, and sometimes have very high yields (e.g., payouts as percentage of stock price). For this reason, it can be tempting for value investors to chase high yield stocks.

Sometimes, high yield stocks are good investments. However, what's really valuable in a dividend stock is dividend growth. A 2% yield stock that grows its dividend by 20% per year will offer a greater yield in 10 years than today's 5% yielder that never ups the payout. In this article, I will explore three Canadian value stocks that are raising their dividends.

Cenovus Energy

Cenovus Energy (TSX:CVE)(NYSE:CVE) is one of Canada's best performing oil stocks this year. Up 45%, it's outperforming the average energy stock. That's a big achievement, because oil stocks in general are outperforming the market: **TSX** energy stocks are up 30% this year, the TSX is down 5%.

CVE's big claim to fame this year was raising its dividend 200%. In its first quarter earnings release, CVE announced that it would raise its quarterly dividend from $0.14 to $0.42. The stock rallied immediately after the news came out. In the first quarter, CVE's profit grew sevenfold, which allowed for a big dividend raise. CVE's growth has been amazing, yet its stock is still pretty cheap, trading at just 0.6 times sales and 3.4 times cash flow.

Suncor Energy

Suncor Energy (TSX:SU)(NYSE:SU) is another oil stock that increased its dividend this year. Around the same time that CVE hiked its dividend 200%, SU increased its own dividend by 12%. Obviously that's not as big of a hike as Cenovus pulled off, but it was still a big vote of confidence from management.

In its most recent quarter, Suncor grew its revenue by 79% and its earnings by 360%. As long as the company keeps up this growth, it should be able to continue hiking dividends well into the future. Suncor Energy stock is fairly cheap despite the gains it has made this year, trading at just a 46% premium to book value (e.g., assets minus debt). Definitely an oil play worth looking into.

TD Bank

Last but not least, we have the **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD). TD is a bank stock that recently hiked its dividend by 13%. That's a pretty big hike, though it's worth keeping in mind that TD wasn't allowed to hike its dividend in 2020 due to the COVID-19 pandemic. The recent hike is basically two years worth of dividend increases all at once. Nevertheless, the 13% raise was welcomed by investors who were already getting a pretty high yield to begin with.

TD Bank is a pretty well regarded bank. Its CET1 ratio (a percentage of high quality assets that banks are required to have by law) is 14.7%, way higher than what regulators require. Plus, its earnings growth averages about 9.5% per year. TD is also in the process of buying U.S. bank **First Horizon**, which will massively increase its presence in the U.S. market. There's a lot to love about TD, yet its stock is still cheap, trading at just 10.5 times earnings.

CATEGORY

1. Bank Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:CVE (Cenovus Energy Inc.)
2. NYSE:SU (Suncor Energy Inc.)
3. NYSE:TD (The Toronto-Dominion Bank)
4. TSX:CVE (Cenovus Energy Inc.)
5. TSX:SU (Suncor Energy Inc.)
6. TSX:TD (The Toronto-Dominion Bank)

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