2 Cheap Canadian Stocks With Insanely Fast-Growing Dividends

Description

Every now and again, Canadian investors get opportunities to buy stocks where valuations are disconnected from fundamentals. Often, when the broader stock market sells off, it can pull down quality companies, even though they are fundamentally outperforming.

That can be a great opportunity for value-minded investors who can buy stocks counter to the broader market narrative. In order to outperform the stock market, you need a contrarian mindset.

Sometimes you need to be contrarian to maximize returns

Sometimes that advantage is buying stocks when others are selling, and selling stocks when others are buying. As Warren Buffett has famously said, "Be fearful when others are greedy, and be greedy when others are fearful."

If you don't mind buying when the market is fearful, here are two cheap Canadian stocks that have very fast-growing dividends.

A fast-growing Canadian financial stock

goeasy (TSX:GSY) has a long history of delivering strong shareholder returns. Its stock is up 1,965% over the past 10 years. The company has grown to become a leading provider of non-prime lending services across Canada. Many big Canadian banks have pulled away from this segment, so goeasy has steadily been claiming market share.

Since 2012, this Canadian stock has successfully compounded earnings per share by 33.5% a year. It is expected to earn $11.50 in earnings per share this year. That is 1,200% higher than what it earned in 2012! Likewise, its dividend has compounded at a 26.4% annual rate. Last year, goeasy increased its dividend by 102%.

In its recent second quarter, goeasy demonstrated 25% revenue growth, and it doubled earnings per share! While growth could temper in a challenging economic environment, the company continues to expand its product offering. That should help fuel further earnings and dividend growth ahead.

Today, this Canadian stock trades with an attractive 2.9% dividend yield and a relatively cheap 12 times price-to-earnings multiple.

A dividend-growth legend for Canadian energy stocks

Canadian Natural Resources (TSX:CNQ)(NYSE:CNQ) has been a dividend-growth machine for years. For the past 15 years, it has grown its dividend rate by about 20% compounded annually. Its current $0.75-per-share dividend ($3.00 annually) is more than 16 times larger than it was in 2007.

Given that CNQ can produce energy (and maintain its dividend) for less than US$30 per barrel of oil, it is earning a huge amount of spare cash with oil prices over US$90 per barrel. It already increased its base dividend by 28% in 2022. CNQ also announced a massive $1.50-per-share special dividend.

Combine the special and base dividend, and this Canadian stock is yielding close to 6.2% (versus 4.2% on its current base dividend). While this isn't the cheapest energy stock, it is one of the highest-quality energy stocks in Canada.

After the recent dip, this Canadian stock trades for just 5.5 times free cash flow. That is still pretty cheap when you compare it to the broader market. If oil stays in the +US$80-per-barrel range, CNQ should continue to significantly reward shareholders with share buybacks, base dividend increases, and more special dividends.

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Author
robbybrown