Dividend Lovers: 2 U.S. Stocks to Turbo Charge Your Portfolio

Description

The Canadian equity markets bounced back strongly last week, with the **S&P/TSX Composite Index** rising 2.6%. However, the equity markets could remain volatile in the near term amid the fear of aggressive interest rate hikes, an inflationary environment, and geopolitical tensions. But no need to panic, since investors could look to strengthen their portfolio with quality dividend stocks.

Although there is an abundance of dividend stocks available in the Canadian equity markets, here are two quality U.S. stocks that could help you diversify your portfolio. With their stable passive income, these two companies can help investors achieve their financial goals earlier.

Home Depot

Home Depot (NYSE:HD) is the world's largest home improvement retailer, with over 2,316 stores across North America. Over the last five years, HD stock has delivered impressive returns of over 110% at a CAGR (compounded annual growth rate) of 16.1%. Its strong financial performance, with its revenue and diluted EPS (earnings per share) growing at a CAGR of 8.4% and 16.2%, respectively, has driven its stock higher.

Notably, the company reported record sales of US$43.8 billion in the July-ending quarter, representing year-over-year growth of 6.5%. The same-store sales growth of 5.8%, with all the 19 U.S. regions, Mexico, and Canada posting positive same-store sales growth, drove the company's sales. Despite the inflationary environment and tight labor market, the company's operating margin improved by 50 basis points to 16.6%, thanks to its expense management.

Amid revenue growth and expansion of operating margins, Home Depot's adjusted EPS (earnings per share) grew by 11.5% to $5.05. Following record second quarter performance, management expects its revenue and same-store sales to grow by 3%, while its diluted EPS could increase to the mid-single digits.

Meanwhile, Home Depot is investing in strengthening its fulfillment capabilities and delivering a personalized online experience to attract more professional customers. It is also developing new and innovative products that can simplify projects and save time and money for its customers. So, the company's outlook looks healthy.

Supported by its solid performance, Home Depot has been paying dividends uninterruptedly for the last 142 quarters. With a quarterly dividend of US$1.90/share, its yield for the next 12 months stands at 2.54%. Amid the recent correction, the company is trading more than 26% lower this year, while its NTM (next 12 months) price-to-earnings multiple stands at 17.6, making it a tempting buy.

McDonald's

McDonald's (NYSE:MCD), a Dividend Aristocrat, has consistently raised its dividends since 1976. The popular fast food chain pays a quarterly dividend of U$1.38/share, with its yield for the next 12 months standing at 2.13%. Over the last five years, the company's revenue has declined by 23%, primarily due to selling its company-owned restaurants to franchisees. In 2015, it adopted a strategy to lower the company-owned restaurant count to 5% of its mix in the long run. This strategy has led to a decline in revenue. However, its diluted EPS has increased at a CAGR of 9.5% during the period.

Meanwhile, McDonald's uptrend has continued this year, with its adjusted EPS growing by 13% amid solid comparable sales growth. The strengthening of its digital capabilities, strategic menu price hikes, and value offerings drove its sales. Given its highly franchised business model, the company could continue to generate stable cash flows, allowing it to pay dividends at a healthier rate. Besides, McDonald's trades at a reasonable NTM price-to-earnings multiple of 25.9, providing a potential entry point for income-seeking investors.

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