2 Cheap Dividend Stocks to Buy Through 2022

Description

Value stocks are recognized by their low multiples, with the price-to-earnings (P/E) ratio being the most popular metric for valuation comparison. The big Canadian bank stocks tend to have reasonable P/E's, pay out nice dividends, and grow at stable rates of 5% or greater annually over the long haul. So, they're some of the best TSX stocks to hold for stable returns.

CIBC stock

Specifically, this week, Michael Sprung, president at Sprung Investment Management, picked one of the Big Six Canadian bank stocks, **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM), as one of his top picks on *BNN* this week.

He noted, "The bank stock has retreated significantly. CIBC is moving judiciously into the U.S. Now 20% of earnings come from there with a goal of 25%. It offers outstanding value right now."

Specifically, CIBC stock has corrected more than 25% from its 52-week and all-time high, which makes it relatively attractive for an initial dividend yield of approximately 5.3%. Its dividend is supported sustainably by a healthy payout ratio of roughly 44% this year.

At $62.45 per share at writing, CIBC stock trades at about 8.4 times earnings, which is a discount of about 17% from its long-term normal valuation. Management has a medium-term adjusted earnings-per-share (EPS) growth target of at least 5% annually. Assuming no valuation expansion, approximated total returns would be at least 10.3% (5.3% from the dividend and 5% EPS growth). This would be a fabulous return on a low-risk, high-yield dividend stock like CIBC.

Parex Resources stock

Parex Resources (TSX:PXT) stock also appears to be undervalued. The energy stock is down by more than a third from its 52-week and all-time high. At about $20 per share, the oil and gas producer trades at a blended P/E of about 4.6. It also trades at about 2.7 times blended cash flow.

Investors should note that its 10-year total returns are 16.3% per year, despite the substantial selloff. Since it just started paying a regular quarterly dividend about a year ago, it can deliver more stable returns going forward. At the recent quotation, it offers a nice dividend yield of almost 5%.

Parex Resources is the largest independent oil and gas producer in Colombia. It focuses on growing its production on an absolute and per-share basis. For example, this year, it aims for production growth of 17% — 29% on a per-share basis. This means, it's buying back its common stock. It's a good time for share buybacks, because its valuation is low and oil prices remain relatively elevated.

Parex Resources is an unhedged oil-focused producer that enjoys premium Brent oil pricing. It also essentially has no debt on its balance sheet.

The 12-month analyst consensus price target represents the potential to double investors' money. Since it's only paying out about 15% of its free cash flow as dividends, its payout ratio is healthy. And it could potentially increase its dividend. Overall, management plans to return capital to shareholders by allocating more than a third of its funds from operations in dividend payments and stock buybacks.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. TSX:CM (Canadian Imperial Bank of Commerce)
3. TSX:PXT (PAREX RESOURCES INC)

PARTNER-FEEDS

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

PP NOTIFY USER

1. kayng
2. kduncombe

Category

1. Dividend Stocks
2. Investing

Date
2025/07/22
Date Created
2022/09/22
Author
kayng