2 Dividend Growers That Are Getting Way Too Cheap to Ignore

Description

Through good markets and bad, dividend-growth stocks have proven to be terrific holdings over extended periods of time. Indeed, many of Canada's top dividend growers continue to go full speed ahead, even with a downturn likely approaching. Though the magnitude of dividend growth over the long haul may be overlooked by investors, I still think it's worthwhile to consider how rapidly payouts can change over the course of decades.

Dividend-growth stocks: Worth braving the stock market volatility

Assuming no dividend cuts and consistent hikes, a seemingly negligible dividend can grow to become a key part of your passive-income stream in 20-30 years down the road. Over such a timespan, growth in dividends matters just as much as upfront yield.

After a vicious selloff, I think there are chances to lock in a nice upfront yield alongside promising, long-term, dividend-growth prospects. Of course, the rate of increases may slow (or even pause) when times get really tough (think severe recession years). Regardless, I'm a believer in picking up quality dividends whenever there's a stock "sale" that has most other investors rushing to the sidelines.

If you've got the liquidity, dividend growers may be one of the better bets you'll make this year. Without further ado, let's look at **TD Bank** (TSX:TD) and **Canadian Tire** (TSX:CTC.A). These two dividend plays are down, but don't count them out just yet, as they look to bounce back after a meagre 2022.

TD Bank

TD Bank is a Big Six bank that could walk away from the next downturn in a firmer position. The big bank has made some intriguing deals this year. Whether we're talking about Cowen and growth to be had from capital markets or First Horizons and TD's expanding U.S. business, it's really hard to overlook TD stock, as it keeps adding to its growth prospects.

Undoubtedly, U.S. banking has helped TD pull ahead of its Big Six peers. As the recession comes and goes, I think TD could find itself right back new highs, as earnings growth looks to bounce back at a rapid rate, thanks in part to the strong managers who have a record of delivering remarkable risk-adjusted returns over the long run.

TD is making good use of its cash. Whether it be through cheap acquisitions or returning capital to shareholders, management knows how to get a bang for its buck!

At this juncture, TD stock trades at a modest 11.4 times trailing price-to-earnings (P/E) ratio. The 3.96%-yield dividend is also poised to appreciate at a rate that could exceed peers over the next decade. If all goes well with Cowen and First Horizons, TD stock could be the dividend-growth hero you won't want to miss.

Canadian Tire

Canadian Tire is another impressive dividend grower that's in a rut. Shares are off nearly 30% from their 2021 all-time highs. The 4.65% dividend yield is incredibly attractive and is likely safer than it looks, even though it's far higher than historical averages.

As Canadian Tire brings on new exclusive brands while improving on the e-commerce side, the long-time brand strikes me as one of the most fascinating omnichannel retail plays to consider for a post-recession rally.

The stock could still get pummeled as a recession sets in, as its financial business and retail sales fade. Still, the dividend yield will surely beckon dip buyers into the name.

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