These 2 Dividend Underdogs Just Became Too Cheap to Ignore

Description

It's been a tough year for investors across the board. The average stock and bond portfolio has suffered one of its worst years in decades. With muted expectations going into 2023, investors shouldn't be so quick to throw in the towel on "risky" investments. Though bonds look more attractive with their swollen yields, equities also look like a great deal if the coming recession ends up being more of a road bump than a complete reset like the one endured in 2008.

Indeed, the bear market has gone on for more than a year now. Whether or not we're nearing the end, investors should continue to be on the hunt for top-value stocks. In this piece, we'll consider two dividend underdogs that I think are way too cheap to pass up, even if 2023 proves just as difficult a rise as 2022.

Consider **North West Company** (TSX:NWC) and **National Bank of Canada** (TSX:NA), two less-loved dividend payers that may deserve more attention than their bigger brothers on the TSX Index.

North West Company

North West Company is a Canadian consumer staple that many investors may be unfamiliar with. The company operates in rural areas where big-name retail plays may have difficulty expanding into. Undoubtedly, acting as a retailer in a remote community accompanies higher transportation costs.

In any case, North West has done a great job of operating within its circle of competence. Though acting as a retailer in a rural area may not entail the highest margins, at the very least, North West can conduct business without having to worry about tech-savvy rivals breathing down its neck.

Indeed, competition is a main concern for players in the retail space. North West is a niche play in retail, but one that deserves investor attention.

The stock trades at 14.1 times trailing price to earnings (P/E), with a 4.27% dividend yield. As a mid-cap stock with a $1.7 billion market cap, North West is less likely to be on the radar of Canadian investors. As you may know, mid-caps tend to be less efficiently priced than large caps. After finishing 2022 up around 3%, I think NWC stock still has a lot of outperformance left in the tank, as the country enters a recession.

The stock has done virtually nothing for two-and-a-half years but could be ready to wake up, as investors continue to value profitable dividend payers over “sexy” growth plays in this rising-rate environment.

National Bank of Canada

National Bank of Canada is the number-six Canadian bank of the Big Six basket. Just because it’s the smallest bank of the basket doesn’t mean it deserves less respect than its bigger brothers. The bank is just as capable of growing its book as its peers. If anything, National Bank may be a better value, as it continues to grow its presence across the country.

Undoubtedly, the bigger banks have moved beyond Canada for growth. As a smaller player, National Bank may be able to take a bit of share in the domestic market, as it looks to replicate success in provinces west of Ontario.

The stock is down around 13% from its all-time high, making it more resilient than most of its Big Six peers, some of which are in a bear market (20% decline from peak to trough). With a 4.25% dividend yield and a willingness to disrupt the status quo (National Bank had no hesitation when it decided to scrap trading commissions).

Indeed, National Bank could be going after the younger crowd, as they embrace tech and look to undercut the banking behemoths.

CATEGORY

1. Dividend Stocks
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2. TSX:NWC (The North West Company Inc.)

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