



## 3 Dirt-Cheap Dividend Stocks Paying up to 8.6%

### Description

I'm convinced value investors should limit themselves to dividend-paying stocks.

The logic is simple. When you're buying [unloved stocks](#), sometimes these companies don't recover. The upside promised just doesn't materialize, and you're forced to break even or perhaps maybe sell at a loss. It stinks, but hey: that's investing.

The reason for insisting on a dividend is so you at least get some cash flow while waiting for a value stock to trade closer to its intrinsic value. A periodic payment can make a multi-year holding period where a stock does nothing a little less painful.

Let's take a closer look at some of Canada's cheapest value stocks, each paying at least a reasonable dividend as a consolation prize.

### Morguard

**Morguard REIT** ([TSX:MRT.UN](#)) is one of [Canada's cheapest companies](#).

The owner of retail, office, and industrial space in Western Canada has a portfolio spread out over 49 properties and more than eight million square feet of gross leasable space. Despite a heavy exposure to Alberta, an area with a weak economy for years now, the trust can still boast a 93% occupancy rate.

Morguard is cheap no matter how you look at it. The share price is currently just over \$11 per share, while book value of its portfolio is above \$25 per share. This puts shares at well under 50% of the true value of the portfolio. Even if you believe Morguard is exaggerating the value of its portfolio, there's still a ton of potential value there.

Morguard is also cheap on a price-to-adjusted funds from operations (AFFO) perspective. The company should do approximately \$1.10 per share in AFFO in 2019. Shares currently trade hands at \$11.23 on the TSX. That gives us a cheap valuation.

Eventually, Morguard's valuation should return to something more normal. And while investors wait, they get a succulent 8.6% yield.

## Cenovus Energy

The oil sector is unloved right now, which is exactly why value investors should be taking a hard look at the space.

One of the cheapest oil stocks in an already cheap sector is **Cenovus Energy** ([TSX:CVE](#))([NYSE:CVE](#)), the oil sands giant that recently took over **Chevron's** assets in the region. This transaction caused Cenovus to take on a lot of debt, right around the same time the entire sector tanked once again.

But things are looking up lately. Cenovus recently reported solid second-quarter results, telling investors it has already made substantial progress paying down the debt. It also reported it has generated some \$1.5 billion in free funds flow through the first half of 2019, putting it on pace to generate \$3 billion in free funds flow for the year. Shares have a market cap of under \$15 billion, putting the stock at less than five times free funds flow.

Remember, Cenovus isn't just an oil sands producer. It also gets a substantial slice of its cash flow from three oil refineries it co-owns. These earnings are predictable no matter what crude oil does.

Cenovus shares pay a \$0.05 per share quarterly dividend — good enough for a 1.7% yield.

## TransAlta

**TransAlta** ([TSX:TA](#))([NYSE:TAC](#)) is an Alberta-based power producer with a portfolio of 72 different facilities in three different countries that have nearly 8,000 MW of transmission capability. The company's shares have been in the doghouse for years now, beaten up on a combination of owning too many coal-fired assets and its bloated balance sheet.

Both of these big issues are being corrected, as management is either shutting down coal plants, selling them, or converting them to natural gas. And the company continues to chip away slowly at its debt.

TransAlta owns a 61% stake in a subsidiary company, **TransAlta Renewables**. That 61% stake today is worth \$2.16 billion. TransAlta's market cap as I type this is approximately \$2.5 billion. Investors are essentially getting the existing company for free.

TransAlta itself generates gobs of free cash flow. 2018's final results saw the company generate \$1.29 per share in free cash flow. The current share price is just under \$9. It doesn't take a math genius to see shares are dirt cheap today.

Investors are treated to a \$0.04 per share quarterly dividend, which works out to 1.8% yield.

### CATEGORY

1. Dividend Stocks

2. Investing

## TICKERS GLOBAL

1. NYSE:CVE (Cenovus Energy Inc.)
2. NYSE:TAC (TransAlta Corporation)
3. TSX:CVE (Cenovus Energy Inc.)
4. TSX:MRT.UN (Morguard Real Estate Investment Trust)
5. TSX:TA (TransAlta Corporation)

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