2 Heavyweight Dividend Stocks That Are on Sale

Description

The **S&P/TSX Composite Index** shed nine points on May 28. Yesterday, I'd warned investors about the possibility of a second market crash in 2020. Valuations are high in sectors like technology right now, and the negative effects of the COVID-19 pandemic will not vanish with a gradual reopening. Today, I want to look at two heavyweight dividend stocks that are still trading at a discount. These income-generating equities look like a solid hold, as the potential for more volatility is still high this year.

Enbridge is still a discounted dividend stock

Enbridge (TSX:ENB)(NYSE:ENB) is a dividend stock that should need no introduction. It operates as an energy infrastructure company in Canada and the United States. Shares of Enbridge have dropped 10.5% in 2020 as of close on May 28. However, the stock has climbed 6.5% month over month. Earlier this month, I'd discussed why Enbridge looked like a steal. I still like the value Enbridge offers as we look ahead to June.

The company released its first-quarter 2020 results on May 7. Adjusted earnings came in at $1.66 billion, or $0.83 per share, compared to $1.64 billion, or $0.81 per share, in the prior year. However, adjusted EBITDA was down marginally from the prior year. Enbridge reaffirmed its 2020 financial guidance for distributable cash flow per share between $4.50 and $4.80. Management remains confident that Enbridge will be able to effectively weather the negative impacts of the COVID-19 pandemic.

Shares of Enbridge last possessed a favourable price-to-book (P/B) value of 1.4. The company last announced a quarterly dividend of $0.81 per share. This represents a tasty 7.2% yield. Enbridge is an energy giant with a massive product pipeline. This is a dividend stock you can trust forever.

This utility stock is on track to be crowned this decade

A dividend king is a stock that has achieved at least 50 consecutive years of dividend growth. As it stands today, there are no equities on the TSX that have made it into this elite bracket. That may change this decade.

Fortis (TSX:FTS)(NYSE:FTS) is a St. John's-based utility holding company. Its stock has climbed marginally in 2020 so far. Utilities are an essential service, and stocks in this sector have been reliable in this crisis.

In the first quarter of 2020, Fortis reported strong rate base growth that contributed to net earnings of $312 million, or $0.67 per share. However, these gains were offset by delayed rates and financial market volatility in Arizona. Most important, Fortis's five-year capital plan of $18.8 billion and its dividend-growth guidance were unchanged.

Shares of Fortis currently boast a favourable price-to-earnings ratio of 14 and a P/B value of 1.3. Its solid value aside, Fortis is an elite option as a dividend stock. The company has delivered 47 consecutive years of dividend growth. Fortis expects its capital plan and subsequent rate base growth to drive dividend increases into 2024. That means investors can expect Fortis to become the first TSX dividend stock to be crowned a king by the middle of this decade. This is a stock that income investors can trust for the long haul.

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