4 Dirt-Cheap Dividend Stocks to Buy Today!

Description

Cyclical dividend stocks are starting to perform on the **TSX Index**! For the most part, it appears like cyclical stocks, especially energy stocks, are finally getting some attention again.

While I am neutral on energy producers, I am more excited by energy infrastructure stocks that pay great dividends and have limited commodity risk.

In March, these stocks dropped almost as much as some junior oil producers, despite having significantly higher-quality businesses. For dividend investors, it presents a great long-term buying opportunity. These stocks are cheap and trade with higher-than-average dividend yields. Here are four energy infrastructure stocks that I believe are still cheap and are great long-term buys today.

This dividend stock could rebound from a recovery in oil

The first dividend stock I am bullish on is **Pembina Pipeline**. Pembina operates a major Canada-U.S. pipeline network, but it also has hands in a variety of collections, midstream, and processing operations. Pembina garners 90-95% of its adjusted EBITDA from fee-based contracts. Only about 5% of its business has major commodity exposure.

Overall, Pembina is a well-managed business that serves essential services in the Western Canadian oil patch. As oil prices stabilize, Pembina should resume its capital-investment program and start accreting growth again. Pembina has a well-capitalized balance sheet ($2.5 billion of liquidity) and its 6.77% dividend is safe (70% payout ratio).

Natural gas pipelines are steady and stable

TC Energy is another attractive dividend-paying energy infrastructure stock. It supplies critical gas infrastructure and pipelines across North America. 95% of its EBITDA comes from regulated or long-term contracts. Its infrastructure is imperative for both the electric and heat supply of residents across North America.

TC pays a 5% dividend. It has a number of capex projects that should accrete between 5% and 7% annual cash flow growth for the foreseeable future. Of course, the largest concern with TC is the multiple legal holdups and challenges against its Keystone XL expansion project. While the expansion's future is uncertain, most of these risks are already priced into the stock. Any approval would be upside from here.

The biggest stock is best for dividends

Enbridge (TSX:ENB)(NYSE:ENB) is, by far, North America's largest pipeline company. In difficult times, I want to own the largest and the most diversified stock. It has liquids pipelines, gas transmission lines, gas and storage, and even electric power production. 98% of the EBITDA from these assets are either contracted or regulated, so cash flow is very steady.

Yesterday, the *Financial Post* reported that Enbridge is increasingly interested in expanding its renewable power capacity to "mirror the global supply picture." Going forward, Enbridge plans to invest around $1 billion in renewable energy projects and $3 billion in gas and gas utility investments. To me, this strategy makes sense for the long term. While oil transportation will be necessary for many years to come, I like that Enbridge is adapting and investing alongside the green energy trend.

This mentality will contribute to an even more stable, diversified company. Enbridge pays an attractive 7.15% dividend that is well covered by cash flows (65% payout ratio). I think for a long-term hold, now is a really attractive time to buy this solid dividend stock.

This gas and utility stock is ready for growth

The last energy infrastructure stock is **Altagas**. Altagas has really transformed its business over the past few years. Altagas has a very stable regulated natural gas utility business in the U.S. that makes up 60% of its EBITDA. It also has a high-quality gas processing, midstream, and export business in Western Canada. 85% of overall EBITDA is regulated or derived from take-or-pay contracts.

Fortunately, Altagas has significantly reduced its debt burden, affording it capacity to begin reinvesting in growth. It has a number of projects that could potentially accrete 8-15% growth in 2020 alone. This stock pays a 5.9% dividend, but I expect this dividend will grow, as Altagas continues to reduce costs, grows its rate base, and upgrade its utility assets.

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