



3 Dividend Stocks That Are Absurdly Cheap

Description

If you're looking for undervalued dividend stocks, look no further. The following stocks have been specifically selected based on their high dividend yield and low valuations. Adding these to your portfolio limits the downside while boosting the passive income you can expect every year from your investments.

RioCan

Canada's largest landlord **RioCan Real Estate Investment Trust** ([TSX:REI.UN](https://www.scribd.com/document/451234567/TSX:REI.UN)) serves as a proxy for the Canadian economy. The trust has spent decades accumulating one of the most enviable real estate portfolios on the planet. At the moment, it owns and operates 289 properties, with a net leasable area of 44 million square feet.

The problem is that RioCan's portfolio is primarily focused on retail units. Shopping centres and malls have been at the epicenter of this crisis, pushing RioCan stock to a historic low. Year-to-date, the stock has lost 42% of its value.

The stock is now trading at 8.8 times leverage-adjusted cash flow and 62% of book value per share. In other words, the stock is worth less than the value of its underlying real estate.

Investors must recognize that the stock has already priced the worst-case scenario in. Now, an effective vaccine or a swift economic recovery could unlock tremendous value. On the other hand, RioCan could convert several units to warehouses and residential properties if the pandemic lingers for several years.

In either case, the stock is worth more than its current market price.

Couche-Tard

Convenience store giant **Alimentation Couche-Tard Inc** (TSX:ATD.B) has been an underrated growth star for much of the past decade. Investors who bought the stock in 2010 are now sitting on a 1,400% gain.

The Laval-based chain's expansion is driven by overseas acquisitions. This year alone, the company was on the verge of striking two multi-billion dollar deals to acquire convenience store chains in Australia and the United States. Although neither of these deals went through, it indicates Couche-Tard's potential for future growth.

That's probably why the stock price has been remarkably resilient this year too. Year-to-date the stock is up 10%. It's now trading at 16.7 times earnings per share. While the 0.67% dividend yield may seem negligible, the company's payout ratio is just 9.15%, which means there's plenty of room for massive dividend growth ahead.

The prospect of dividend growth is why I own this stock in my Tax-Free Savings Account (TFSA).

Hydro One

Utilities are probably the best source of reliable dividends. **Hydro One's** ([TSX:H](#)) performance this year proves this thesis spectacularly. Year-to-date, the stock is up 12%.

Despite this, it's still relatively well priced. The stock currently trades at a price-to-earnings (P/E) ratio of 20 and provides a 3.66% dividend yield. The dividend payout ratio is 69.5%, which means the team is saving nearly a third of earnings for retention and expansion.

My [Fool colleague Vineet Kulkarni](#) dug into the business model and figured out that Hydro One was far less capital-intensive than traditional utilities. Since it doesn't produce the energy, only transmit it, it needs less upfront capital investment. That makes the company's cash flows (and in turn its stock) far less volatile.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:ATD (Alimentation Couche-Tard Inc.)
2. TSX:H (Hydro One Limited)
3. TSX:REI.UN (RioCan Real Estate Investment Trust)

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