Love Dividends? These 3 Undervalued Stocks Are Looking Attractive

Description

When it comes to dividend investing, you need to be more cautious than ever, as the COVID-19 pandemic has forced several companies to cut dividends. Meanwhile, resilient companies are yielding low, thanks to the stellar recovery rally over the past four months. Moreover, an uncertain economic outlook and the fear of a recession make it tough to pick the right dividend stock.

Still, if dividends attract you, here are three stocks offering high yields that are very safe. Meanwhile, these stocks offer excellent value and are worth buying right now.

Canadian Utilities

With a yield of 5.3% and a long history of consistently increasing its dividends for 48 years in a row, **Canadian Utilities** (TSX:CU) is a top stock for income-seeking investors. Its shares are down about 16% year to date, offering excellent value to long-term investors.

Canadian Utilities operates a resilient business, which remains immune to the slow global economic activity and COVID-19 pandemic. The company has 95% of earnings coming from rate-regulated utility assets, implying its cash flows and payouts are very safe.

The consistent growth in regulated rate base, its cost efficiencies, and incremental earnings from hydrocarbon storage are likely to support the company's earnings and cash flows and, in turn, its dividend payouts.

Canadian Utilities continues to invest in the regulated and long-term contracted assets, which the base for continued dividend growth in the future.

Toronto-Dominion Bank

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) is outperforming its peers with its dividend-growth rate. Its dividends have grown at an annual rate of 10% over the past 20 years, which is highest among its peers. The bank has consistently managed to increase its dividends, thanks to the sustained growth in its loans and retail-focused deposit base.

The bank has temporarily suspended any dividend hikes for the rest of the year. However, it offers an attractive yield of about 5%, which is safe. While low interest rates and competitive headwinds pose challenges, Toronto-Dominion Bank's ability to consistently increase its asset base and improved efficiency should support its payouts.

Toronto-Dominion Bank is well capitalized and has diversified revenue channels to support its growth. Sustained volumes growth and increased activity in the wealth and insurance businesses further cushion the bottom line.

Enbridge

The weaker energy demand has taken a toll on **Enbridge** (TSX:ENB)(NYSE:ENB) stock. However, its high yield of 7.4% is pretty safe, thanks to the diversified and resilient business. Though Enbridge's mainline volumes remain low its other businesses, including renewable power, gas transmission, and storage are performing well and continue to generate strong cash flows.

Meanwhile, Enbridge's business is highly contracted, implying that the company continues to generate strong EBITDA and cash flows, despite challenges from the low mainline volumes.

Thanks to its robust cash flows, Enbridge's dividends have grown at a compound annual growth rate of 11% in the last 25 years. With the pickup in demand in the coming quarters, its mainline volumes could show sequential improvement. Meanwhile, sustained momentum in its other businesses should continue to cover its payouts.

Bottom line

These three TSX stocks offer high, yet safe dividend yields. Meanwhile, they continue to trade low despite strong fundamentals. Investors who love dividends should consider buying these undervalued stocks for the high yields and capital appreciation.

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