3 Deep-Discount Dividend Stocks to Buy Now

Description

Stock prices are unpredictable. These deep-discount dividend stocks are trading at low valuations that should make them more resilient should we experience another market selloff. Importantly, they pay generous and safe dividends that provide nice returns, even if stock prices don't cooperate.

Let's check them out.

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Enbridge stock

Despite a depressed energy sector, as the elephant in the room, **Enbridge** (TSX:ENB)(NYSE:ENB) stock will remain resilient. It's the largest North American transporter of crude oil and natural gas in North America.

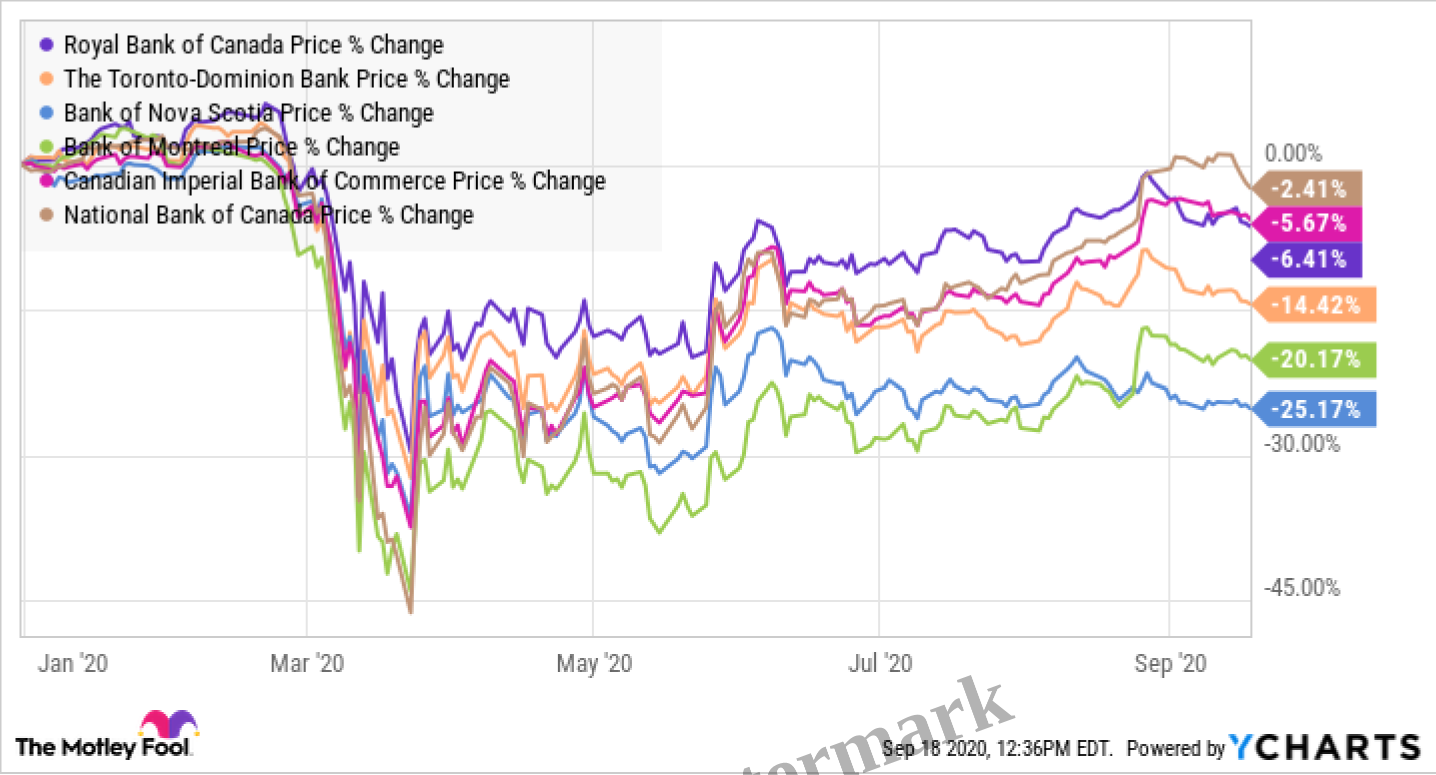
Enbridge's low-risk business model with long-term contracted cash flows allows it to maintain its guidance, even with the negative impacts of the pandemic.

It estimates to report distributable cash flow per share (DCFPS) of $4.50 to $4.80 this year, which would translate to a sustainable 2020 payout ratio of about 70%.

At $40.37 per share, the blue-chip stock provides a whopping yield of 8%. Additionally, the stock trades at a meaningful discount with almost 29% upside, according to the 12-month analyst average price target of $52.

Based on the company's DCFPS growth estimates of 5-7%, Enbridge stock can even continue increasing its dividend by about 3% per year through 2022, while steadily reducing its payout ratio. Therefore, even without any valuation expansion, the dividend stock can deliver total returns of about 11% per year, which would beat the average market returns of approximately 7%.

Bank of Nova Scotia stock



Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) stock has been hit the hardest among its big bank peers. Its exposure (about 23% of earnings) to the resource-rich Pacific Alliance countries of Chile, Colombia, Mexico, and Peru is a headwind in the current challenging environment. As a result, it offers the biggest yield of the bunch.

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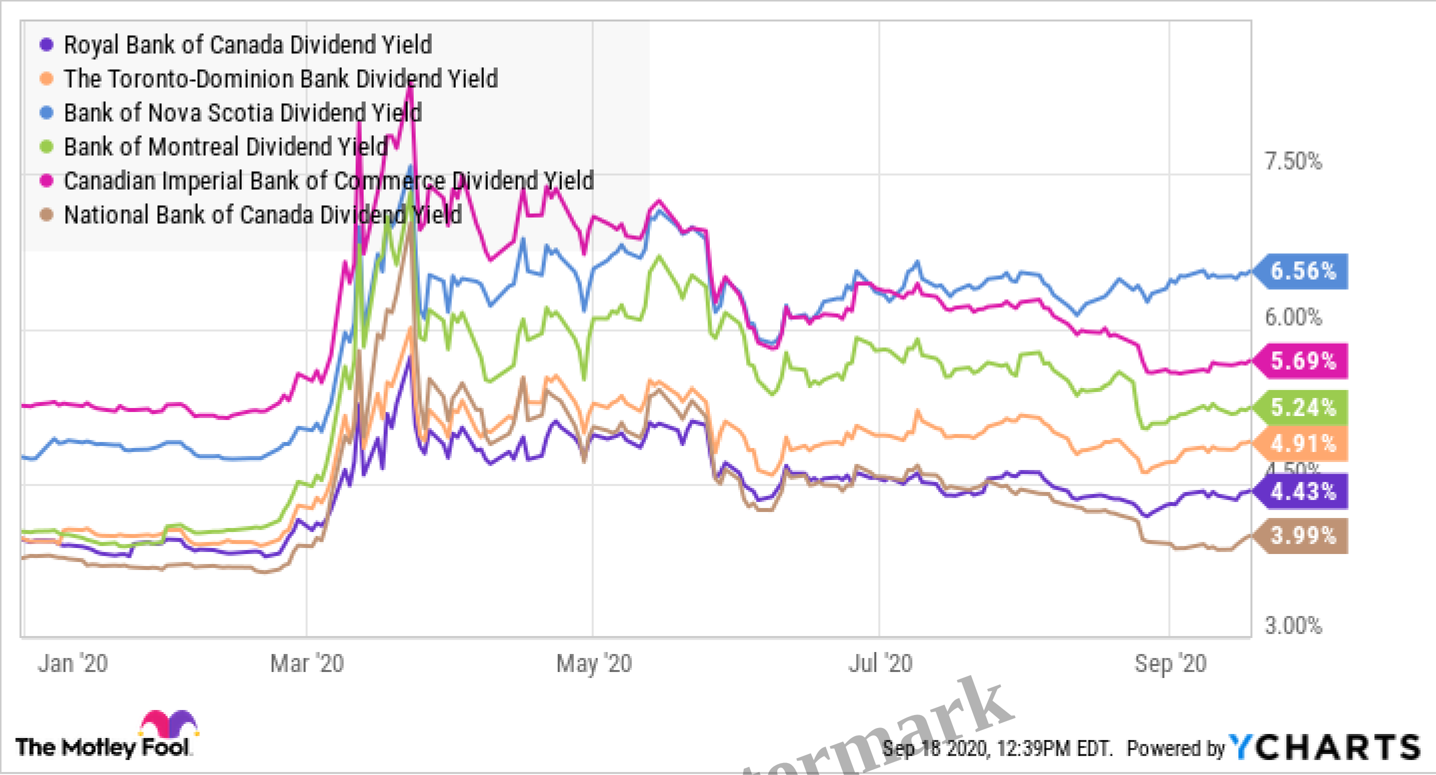

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However, at times, when the resource sectors do well, the bank stock will be able to trade at a much higher valuation that can translate to more than 50% upside from current levels.

At $54.83 per share, BNS stock offers a rich yield of nearly 6.6%, which is protected by a sustainable payout ratio of about 70% this year. The higher payout ratio should normalize to the usual 50% range over the next few years.

H&R REIT stock

Diversified REIT **H&R REIT** (TSX:HR.UN) has been dragged down by its retail exposure, which contributes to about 34% of its rental income. The rent collection for its retail portfolio was between 64% and 77% from April to August, which is not too bad.

Its overall rent collection has been stable at or above 87% in the period, which makes its current generous yield of 6.7% safe along with a current payout ratio of about 50%.

At $10.21 per unit, H&R REIT stock can double on a valuation expansion to its recent net asset value per unit of $21.80. Additionally, in a more normalized economic environment (after the pandemic comes to pass), there's a good chance that H&R REIT will increase its dividend to more normalized levels.

So, an investment in H&R REIT today can potentially have a yield on cost of about 12% in a few years!

The Foolish takeaway

By investing in deep-discount dividend stocks such as Enbridge, BNS, and H&R REIT today, investors can get juicy dividends and likely outperform the market over the next five years.

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TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:ENB (Enbridge Inc.)
3. TSX:BNS (Bank Of Nova Scotia)
4. TSX:ENB (Enbridge Inc.)
5. TSX:HR.UN (H&R Real Estate Investment Trust)

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