



The Pandemic Sale: Buy 3 Top Dividend Stocks for Less Than \$75

Description

Just last week, many retailers had their Big Sale events where they offered branded products for 20%-40% discounts. The COVID-19 pandemic has created a similar once-in-a-lifetime sale for dividend lovers like Warren Buffett. In the pandemic sale, quality dividend stocks are available at a 30%-60% discount.

The Oracle of Omaha never leaves goods discounts. He has been buying his favourite dividend stocks. Everyone can avail of this sale while the economy is still battered.

Buy three dividend stocks for less than \$75

Good dividend stocks are generally a traditional business like energy, banks, and real estate, which have been earning sustainable cash flow for decades. But they collapse in an economic crisis as their revenue and cash flows are directly impacted. In such cases, how does one identify the right dividend stock?

Put your money in market leaders, as they have the pricing power. Also, look at the company's dividend history and cash flow.

The COVID-19 pandemic has pulled down the stock price of top Dividend Aristocrats, allowing you to lock more than an 8% dividend yield for a lifetime.

RioCan

RioCan REIT ([TSX:REI-UN](#)) stock is trading at a 46% discount to its 11-year low of \$14.5 after the pandemic shut down all non-essential retail stores. This reduced RioCan's second-quarter gross rent collection to 73.3% and its occupancy rate to 96.4% from 97.1% in the previous year quarter.

Even if some retailers default on rent, it will be offset by security deposits and letters of credit. Moreover, its risk is diversified as no single retailer contributes more than 5% towards its revenue.

It has sufficient cash flow to pay dividends (83.2% payout ratio) and \$1 billion in liquidity that is sufficient to repay current debt and withstand crisis for a year. Hence, it continued to pay the same dividend per share, which increased its dividend yield to 9.88%.

As the economy reopens, the shops will reopen, and retailers will return to paying rent. Like the 2009 crisis, as the economy recovers, [RioCan stock will surge](#) and return to the pre-pandemic level in three years, representing an upside of 85%.

SmartCentres

SmartCentres REIT ([TSX:SRU.UN](#)) stock is trading at a 33% discount to its all-time low of \$20.76. It suffered from the same issue as RioCan, but it was better off because of a 25% revenue exposure to **Walmart**.

SmartCentres's second-quarter gross rent collection reduced to 76.1%, and its occupancy rate fell to 97.6% from 98.1% in the December quarter. It still had sufficient cash flows to pay dividends (93.7% payout ratio). Hence, its dividend yield increased to 8.97%.

The REIT noted that 95% of retail locations reopened in July. For the small retailers that are at risk of default, the Canada Emergency Commercial Rent Assistance (CECRA) program will cover 50% of the rent, and the REIT will cover 25%, which equates to \$3.5-\$4 million.

As the economy recovers, its stock will surge, and in three years, return to a pre-pandemic level of \$31, representing a 50% upside.

Enbridge

Enbridge ([TSX:ENB](#))([NYSE:ENB](#)) stock is trading at a 32% discount to its two-year low of \$38. It has strong cash flows and profits, but the sudden dip in the oil demand reduced its second-quarter revenue by 40% year-over-year (YoY).

The revenue decline from oil transmission was partially offset by an increase in revenue from the gas transmission and renewable energy generation.

Enbridge managed to [increase its distributed cash](#) flow by 6% YoY. Hence, its dividend yield improved to 8.48%. It increased its dividend at a CAGR of 14% in the last 10 years. In the worst-case scenario, it might not increase dividends for two to three years. But once oil demand recovers, its revenue will surge, and dividend growth will return.

Total dividend income

In just \$75, you can buy the above three stocks that will pay you \$6.5 in annual dividend. If you invest \$1,000 in them, you will earn almost \$90 in annual dividend income. Put these three stocks in your Tax-

Free Savings Account (TFSA) cart to avoid paying taxes on dividend income.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Energy Stocks
4. Investing

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. NYSE:WMT (Wal-Mart Stores Inc.)
3. TSX:ENB (Enbridge Inc.)
4. TSX:REI.UN (RioCan Real Estate Investment Trust)
5. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

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