
Available at a Deep Discount: Buy These 3 TSX Stocks for Their Dividends

**Description**

Although the S&P/TSX Composite Index has recovered significantly from its March lows, some companies are still feeling the heat of the pandemic and are trading at a deep discount. The decline in their stock prices has made their dividend yields attractive. With the returns on debt instruments becoming unattractive amid the low interest rate environment, here are the three TSX stocks that pay dividends at a higher yield.



## Enbridge

Amid the weak oil demand and decline in oil prices, the throughput on **Enbridge's** (TSX:ENB)( NYSE:ENB) liquid mainline system had declined, which weighed heavily on its fundamentals and stock price. Currently, the company trades close to 29% lower for this year.

Meanwhile, the company runs a well-diversified business, generating 98% of its EBITDA from long-term take-or-pay and cost-of-service contracts. So, its earnings and cash flows are mostly stable.

The stable cash flows have allowed Enbridge to raise its dividends for the last 25 consecutive years at a CAGR of above 11%. The company has announced quarterly dividends of $0.81 per share for the third quarter, representing an annualized payout of $3.24. Currently, the company's dividend yield stands at an attractive 8.8%.

The decline in Enbridge's stock price has dragged its valuation multiple into an attractive territory. It currently trades at a forward price-to-earnings multiple of 14.4. Given its attractive valuation and high dividend yield, I believe Enbridge is an excellent buy for long-term investors.

## Pembina Pipeline

The weak oil prices and demand have also weighed heavily on **Pembina Pipeline** (TSX:PPL)( NYSE:PBA), which has lost over 42% of its stock value this year. In the June ending quarter, the company's top line and bottom line had declined by 30% and 68%, respectively. The decline in crude oil and NGL (natural gas liquids) prices and lower marketed NGL volumes lowered its financials.

However, its base businesses — pipeline and facilities — were healthy, with both segments reporting growth in both volumes and EBITDA. Further, the company has planned to increase the EBITDA contribution from its risk-free (take-or-pay, cost-of-service, and fee-for-service) businesses to above 90% this year compared to 85% in the previous year. So, I believe the company's dividends are safe.

Pembina Pipeline pays monthly dividends. For October, the company has paid $0.21 per share. Amid the decline in the stock price, its dividend yield stands at an attractive 9.1%.

## Bank of Nova Scotia

**Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS), which has lost over 26% of its stock value this year, is my third pick. The higher provisions for credit losses weighed heavily on the company's financials and stock price. Its adjusted EPS declined by 45% year over year to $1.04 during the third quarter. The company has a considerable exposure to Latin America, which was severely hit by the pandemic, driving the bank's provisions higher.

Meanwhile, the Bank of Nova Scotia is well capitalized to survive this crisis. Given the increase in economic activities after the lockdown and its well-diversified approach, I believe the company's financials could stabilize over the next few quarters.



The company has increased its dividends at a CAGR of 6% over the last decade, supported by its high-quality earnings. It currently pays quarterly dividends of $0.90 per share, translating to a dividend yield of 6.6%. Further, Bank of Nova Scotia trades at an attractive price-to-book multiple of one compared to its historical multiple of 1.4.

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2. NYSE:ENB (Enbridge Inc.)
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4. TSX:BNS (Bank Of Nova Scotia)
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