Love Dividends? Lap Up These 3 Undervalued TSX Stocks

Description

Despite the disruption from the pandemic, a few **TSX**-listed stocks continue to regularly pay their dividends, thanks to their fundamentally strong businesses and robust cash flows. Moreover, shares of these Dividend Aristocrats are trading cheap and offer excellent value.

So, if dividend attracts you, consider buying these TSX stocks that offer a high and reliable yield.

Leading bank stock offering 5.7% dividend yield

If you love dividends, then you might want to buy **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) stock. The leading Canadian bank offers an attractive dividend yield of 5.7% and looks undervalued at the current levels. It trades at a P/B ratio of 1.2, about 20% lower than its historical average of 1.5.

Bank of Nova Scotia's dividend has grown in 43 of the last 45 years, thanks to the consistent growth in its bottom line. Moreover, the bank has been paying dividends since 1833. Investors should note that higher provisions for credit losses amid COVID-19 pandemic weighed on the profitability of banks, forcing banks not to announce any further dividend hikes in 2020.

However, the reopening of the economy and positive COVID-19 vaccine data suggests that the pressure on the bottom line of the banks could ease and reflect a sharp sequential deceleration in provision for credit losses.

The expected decline in provisions is likely to support the recovery in Bank of Nova Scotia stock. Meanwhile, its exposure to high-quality growth markets and continued improvements in loans and deposit volumes could help the bank to continue to boost its shareholders' returns through higher dividend payments in the coming years.

Consider buying this dividend king

When it comes to dividend investing, **Canadian Utilities** (TSX:CU) stock is a must-have in your portfolio. The utility giant has uninterruptedly raised its annual dividends for 48 years – the longest by any publicly listed Canadian company. Meanwhile, it offers a stellar dividend yield of over 5.5%.

Its stock also attracts on the valuation front. Canadian Utilities is trading at a forward EV/EBITDA multiple of 10.5, which is well below its historical average of 11.2. Also, it is trading cheap when compared to the peer group average of 12.7.

With most of its earnings coming from utility assets, Canadian Utilities' high yield is pretty safe. Meanwhile, its continued investment in high-quality utility assets suggests that the company could continue to boost its shareholders' returns in the coming years.

A top TSX stock offering an 8.5% dividend yield

With over 20% year-to-date decline in its stock, **Enbridge** (TSX:ENB)(NYSE:ENB) offers excellent value as well as a robust dividend yield. While the pandemic weighed on its financials, the energy infrastructure giant continued to pay its regular quarterly dividend, thanks to its diversified business and resilient cash flows.

Enbridge has paid dividends since 1953. Moreover, its annual dividend has grown at a double-digit rate over the past 25 years in a row, which is encouraging and indicates the strength of its business and its ability to generate strong cash flows.

The company's core business remains strong and is likely to sustain momentum in the coming years. Meanwhile, an uptick in the economic activities suggests that its mainline throughput volumes could show sequential improvement.

Enbridge stock offers a high yield of 8.5% and trades at a forward EV/EBITDA multiple of 11.2, which is lower than its historical average.

CATEGORY

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

TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:ENB (Enbridge Inc.)
3. TSX:BNS (Bank Of Nova Scotia)
4. TSX:CU (Canadian Utilities Limited)
5. TSX:ENB (Enbridge Inc.)

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