



## 3 High-Yield Stocks With Huge Upside Potential

### Description

Retirees and other income investors constantly search for undervalued high-yield [dividend stocks](#) that offer above-average and sustainable payouts.

Let's take a look at three top dividend stocks that appear [cheap](#) right now and deserve to be on your high-yield radar.

### Why Enbridge stock looks like a high-yield bargain

**Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) is a giant in the North American energy infrastructure industry. The company moves roughly 25% of all crude oil produced in the U.S. and Canada and transports 20% of the natural gas consumed in the United States.

Enbridge underwent a restructuring in the past few years that positioned the company well to weather the pandemic. Management sold nearly \$8 billion in non-core assets in a move to focus on regulated businesses. Enbridge also brought four subsidiaries in house, a move that streamlined the corporate structure, making it easier for analysts to value the business.

Enbridge took a hit in the oil pipeline group in 2020 amid a drop in demand for feedstock crude oil by refineries. Once COVID vaccines are widespread and travel restrictions end, demand for jet fuel and gasoline should rise. That will require more crude oil moving from producers to refiners.

Enbridge also has natural gas utility and renewable energy assets that continue to deliver steady cash flow.

Growth projects remain on track and the dividend should be safe. The stock appears oversold at \$41 compared to the 12-month high of \$57 per share. Investors who buy now can pick up a solid 7.8% yield.

### Why Power Corp deserves to be on your buy list

**Power Corp.** ([TSX:POW](#)) is a holding company with interests in a number of Canadian businesses focused on insurance and wealth management. It is also part owner of a European holding company that has investments in many of the continent's top global companies.

The Canadian investments listed on the [organizational chart](#) include top names such as **Great-West Lifeco** and **IGM Financial**, which in turn own Canada Life, and Mackenzie Financial, respectively. Power Corp also has a majority ownership position in the popular fintech disruptor Wealthsimple.

Power Corp's share price might not reflect the full value of the Wealthsimple investment. Wealthsimple's implied valuation topped US\$1 billion in the latest round of fundraising in October. As such Power Corp could see a meaningful move to the upside once the market gets its head around the growth potential of the holding. A spinoff of Wealthsimple might also result in a big special dividend for Power Corp shareholders.

Power Corp is a great pick for investors who want broad exposure to Canadian financials other than the big banks.

The stock trades near \$30 compared to \$34 earlier this year. A move to \$45 is possible in the next couple of years. At the current price, investors can pick up 6% yield.

## RioCan as a top high-yield pick

**RioCan** ([TSX:REI.UN](#)) owns shopping malls. That's a tough business to be in this year and the price of the trust units took a hit as a result.

Government programs designed to help keep retailers alive during the crisis helped RioCan collect a significant chunk of its rent in recent months. With COVID vaccines on the way, a return to normal shopping conditions is on the horizon. Canadians have record levels of cash sitting in bank accounts right now. Once the pandemic ends, they will likely splurge.

RioCan's generous payout should be safe. The trust units sell at \$18 right now compared to \$27 at the start of 2020. That implies a 50% upside once things get back to normal. In the meantime, investors can pick up an annualized 7.9% yield on the monthly distributions.

## The bottom line on high-yield investing

Enbridge, Power Corp, and RioCan all pay high-yield distributions that should be safe. The stocks appear cheap right now, giving investors a shot at some big gains in addition to the fantastic payouts.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)

2. TSX:ENB (Enbridge Inc.)
3. TSX:POW (Power Corporation of Canada)
4. TSX:REI.UN (RioCan Real Estate Investment Trust)

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