3 Top TSX Dividend Stocks to Buy on Discount

Description

If you are planning to invest in top income stocks offering good value, consider buying these Dividend Aristocrats trading at discounts to their peers.

Bank of Montreal

Optimism over the COVID-19 vaccine and an uptick in economic activities has led to a sharp recovery in Canadian bank stocks. While **Bank of Montreal** (TSX:BMO)(NYSE:BMO) stock recovered all of its losses, it is still looking attractive on the valuation front and is trading at a discount when compared to peers.

Bank of Montreal trades at a P/B (price-to-book value ratio) of one compared to its peer group average of 1.3. Meanwhile, its P/TBV (price-to-tangible-book value) multiple of 1.2 is approximately 27% lower than its peer group average of 1.7.

Besides trading at a discount, Bank of Montreal offers a decent dividend yield has a track record of robust dividend payments. The banking giant has paid dividends for 191 years. Moreover, it has increased its annual dividends by a CAGR (compound annual growth rate) of 6% over the past 15 years.

With the expected uptick in loan volumes, its strong deposit base, and deceleration in the provisions for credit losses, Bank of Montreal is likely to deliver improved earnings over the next several quarters, which is likely to drive its dividend. The bank pays a quarterly dividend of $1.06 per share, translating into a yield of 4.4%.

Pembina Pipeline

Investors seeking regular dividend income should consider buying the shares of **Pembina Pipeline** (TSX:PPL)(NYSE:PBA). Its stock is down about 28% year to date and is trading at a lower valuation multiple.

Pembina Pipeline pays a monthly dividend of $0.21 per share, translating into a yield of 7.9%. Moreover, it has paid dividends worth $9.1 billion since 1997. In the last five years, Pembina's dividends have increased by a CAGR of 6.5%. Moreover, it could continue to increase dividends further owing to the recovery in demand from the distribution of the COVID-19 vaccine.

Meanwhile, its highly contracted business generates robust fee-based cash flows that could easily cover its future dividend payments. Shares of Pembina Pipeline are trading at a forward EV/EBITDA multiple of 9.2, which is about 20% lower than its peer group average of 11.5.

Canadian Utilities

Investors looking for a top value and income stock could consider buying **Canadian Utilities** (TSX:CU). The utility company has a robust dividend-paying history and is trading cheap when compared to its peers. Canadian Utilities has raised its dividends for straight 48 years. Meanwhile, it could continue to increase it over the next decade, thanks to its high-quality earnings base.

Canadian Utilities's payouts are supported through the regulated utility assets that generate predictable and growing cash flows. Its long-term contractual arrangements, cost-reduction measures, and continued investments in the regulated and contracted assets suggest that the company could continue to generate high-quality earnings in the coming years.

Canadian Utilities stock trades at a forward EV/EBITDA of 10.3, which reflects a discount of about 21% compared to the peer group average of 13.1. The Dividend Aristocrat currently offers a yield of 5.6%.

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2. NYSE:PBA (Pembina Pipeline Corporation)
3. TSX:BMO (Bank Of Montreal)
4. TSX:CU (Canadian Utilities Limited)
5. TSX:PPL (Pembina Pipeline Corporation)

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Date
2025/07/07
Date Created
2020/12/21
Author
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