Got $3,000? Buy These 3 Cheap Canadian Dividend Stocks to Earn Stable Passive Income

Description

Last year, many Canadians lost their jobs amid the pandemic. Although the unemployment rate is falling amid the reopening of the economy, the second wave of COVID-19 cases is concerning. So, investors should supplement themselves with a secondary income, given the uncertain outlook.

Meanwhile, investing in high-yielding dividend stocks is the cheapest and convenient way to earn passive income, as it does not involve high transaction expenses. Also, dividend-paying stocks generally outperform during economic downturns. Here are the three Canadian dividend stocks you could buy right now.

Canadian Utilities

Canadian Utilities (TSX:CU) is a $20 billion diversified global energy infrastructure company that services around 2 million customers. The company earns approximately 95% of its adjusted earnings from regulated assets, thus insulating its financials from price and volume fluctuations. These strong cash flows have helped the company in raising its dividends for 48 consecutive years. The company currently pays quarterly dividends of $0.435, with an annualized payout rate of $1.74 per share and a dividend yield of 5.6%.

Meanwhile, Canadian Utilities has planned to invest $3.5 billion from 2020 to 2023 in regulated and long-term contracted assets. These investments could expand its rate base and drive its earnings in the coming years. Further, the company's liquidity position looks healthy, with its cash and cash equivalents standing at $940 million and a credit facility of $2.25 billion. Given its stable cash flows and healthy liquidity position, I believe the company's dividends are safe.

Amid the energy sector's weakness, Canadian Utilities had lost over 20% of its stock value last year. Its valuation also looks attractive, with its price-to-book multiple standing at 1.6.

TC Energy

Last year, **TC Energy** (TSX:TRP)(NYSE:TRP) lost over 25% of its stock value. Amid the weak oil demand, the throughput of its pipeline segment declined, thus dragging its financials and stock price down. Meanwhile, the company has grown its adjusted EPS at an annualized growth rate of around 7% since 200, thanks to its strong regulated asset base and long-term contracts.

Further, the company is making advancements with the $37 billion secured capital projects that are supported by long-term take-or-pay contracts. These investments could boost the company's earnings and cash flows in the coming years. Meanwhile, amid the increased economic activities, the oil demand could rise this year, increasing TC Energy's asset utilization rate, thus boosting its financials.

Meanwhile, TC Energy has rewarded its shareholders by raising dividends for the past 20 consecutive years at a CAGR of 7%. The company currently pays quarterly dividends of $0.81 per share at a dividend yield of 6.3%. Further, the company's management expects to hike its dividends by 8-10% in 2021 and 5-7% from there onward. So, TC Energy would be an excellent buy for income-seeking investors.

Pembina Pipeline

Pembina Pipeline (TSX:PPL)(NYSE:PBA) is a midstream energy company that runs a highly contracted business, with 95% of its adjusted EBITDA generated from the long-term fee-based contracts. So, its earnings and cash flows are mostly predictable and stable.

Meanwhile, amid the weak energy demand, the company's earnings from the uncontracted businesses declined, dragging its stock price down. Pembina Pipeline lost 37.5% of its stock value last year. The decline in the company's stock price has dragged the company's valuation into an attractive territory. It currently trades at a forward price-to-earnings multiple of 15.3 and a price-to-book multiple of 1.3.

Pembina Pipeline has also maintained and increased its dividends since 1998, thanks to its stable cash flows from contracted businesses. The company currently pays monthly dividends of $0.21 every month at an annualized rate of $2.52 per share and an attractive dividend yield of 8.4%.

The company has also planned to invest $785 million this year, supporting its growth initiatives. With its liquidity standing at $2.54 billion as of September 30, its financial position looks healthy.

CATEGORY

1. Energy Stocks
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TICKERS GLOBAL

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2. NYSE:TRP (Tc Energy)
3. TSX:CU (Canadian Utilities Limited)
4. TSX:PPL (Pembina Pipeline Corporation)

5. TSX:TRP (TC Energy Corporation)

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