3 Top Canadian Dividend Stocks Too Cheap to Ignore

Description

The Canadian equity markets are showing strong resilience, with the **S&P/TSX Composite Index** hitting a new all-time high last week, despite the rising COVID-19 cases and a slowdown of the economic recovery rate. Meanwhile, few **TSX** dividends stocks have not recovered completely and are available at attractive valuations. Here are the three undervalued dividend stocks with healthy dividend yields.

Enbridge

The midstream oil company, **Enbridge** (TSX:ENB)(NYSE:ENB), is trading 21.8% lower than its 52-week high. Due to the weak oil demand, the throughput of its liquid pipeline division fell, dragging its financials and stock price down. The decline in its stock price has also pulled the company's valuation into the attractive territory. Enbridge currently trades at a forward price-to-earnings and price-to-book multiples of 15.4 and 1.3, respectively.

Enbridge has been increasing its dividends for the last 26 years at an annualized rate of 10%. Last month, the company had raised its quarterly dividends by 3% to $0.835 per share, representing a dividend yield of 7.4%. The company operates a highly regulated business, with around 98% of its adjusted EBITDA generated from long-term contracted agreements, thus delivering stable and predictable cash flows.

Further, Enbridge is going ahead with its $16 billion secured growth capital program, which could contribute $2 billion of adjusted EBITDA growth from 2021 to 2023. The company's financial position also looks healthy, with its liquidity standing at $14 billion as of September 30. Given its attractive valuation, high dividend yield, stable cash flows, and healthy financial position, Enbridge could be an excellent buy for income-seeking investors.

Canadian Utilities

Canadian Utilities (TSX:CU) operates power generating facilities and utility businesses serving around 2 million customers. It is currently trading 24.5% lower than its 52-week high. In the recently announced third-quarter earnings, the company reported an adjusted net profit of $76 million compared to $106 million in the previous year's corresponding quarter. The sale of certain assets impacted its earnings. Excluding these sales, the company's net profits increased $7 million year over year, driven by higher earnings from its non-regulated businesses.

The company's regulated utility business and long-term contracted businesses with strong counterparties have insulated its financials from price and volume fluctuations, thus delivering stable cash flows. It also recently announced Pioneer Pipeline's acquisition for $255 million, which could increase its rate base by $200 million. Further, Canadian Utilities has planned to invest $3.4 billion from 2020 to 2022 in regulated and long-term contracted businesses, which could boost its earnings and cash flows.

Supported by strong cash flows, Canadian Utilities has increased its dividends for 48 consecutive years. It currently pays quarterly dividends of $0.4354 per share, representing a dividend yield of 5.4%. Given its healthy growth prospects, stable cash flows, and strong liquidity of $3.2 billion, I expect the company to continue increasing its dividends in the coming years.

BCE

My final pick would be a telecommunication company **BCE** (TSX:BCE)(NYSE:BCE), which is trading 15.5% lower than its 52-week high. Amid the pandemic-infused travel restrictions, the company's roaming income fell, weighing heavily on its financials and stock price. However, the wide-spread vaccine distribution could prompt the government to ease travel restriction, benefitting BCE.

Meanwhile, BCE's strong underlying business has been delivering stable earnings and cash flows. Despite the pandemic, the company generated $1.03 billion of free cash flows in its recently announced third quarter. Further, the company is expanding its 5G network and advanced broadband internet services across Canada, which could boost its financials in the coming years.

BCE currently pays quarterly dividends of $0.8325 per share, with its dividend yield standing at an attractive 6%. The company's valuation looks attractive, with its forward price-to-earnings and price-to-sales multiple standing at 16.9 and 2.1, respectively.

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3. TSX:BCE (BCE Inc.)
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