2021: 3 UNDERVALUED Dividend Aristocrats to Buy Right Now

Description

If you love dividends, you shouldn't miss out on Dividend Aristocrats that are trading cheap compared to peers and offer a high yield. Here are three Canadian stocks that are undervalued and have consistently boosted their shareholders' returns through higher dividends. Further, these **TSX** -listed companies generate resilient cash flows and could continue to increase their dividends in the future.

Pembina Pipeline

Pembina Pipeline (TSX:PPL)(NYSE:PBA) has paid dividends since 1998, and over the past decade, its dividends have grown at a compound annual growth rate (CAGR) of 4.2%. The company's robust dividend payments are backed by its low-risk and diversified business that are highly-contracted and generate strong fee-based cash flows.

While the COVID-19 pandemic took a toll on energy companies in 2020, Pembina maintained its dividends, reflecting the strength of its base business. With the expected recovery in demand, Pembina's top and bottom line are likely to improve in 2021 and support its payouts. The company expects its volumes to improve across commodities in 2021 and remains on track to deliver robust fee-based cash flows.

Besides, Pembina stock is trading cheap when compared to peers. It is trading at the next 12-month (NTM) EV/EBITDA multiple of 10.5, which reflects a discount of about 11% from its peer group average. Also, it is trading at a discount of about 14% when compared to **Enbridge** stock.

The pipeline company pays a monthly dividend of $0.21 a share, reflecting a high yield of 7.0% at the current price levels.

Bank of Montreal

The banking giant has paid dividends for 192 years, the highest among any Canadian company. Meanwhile, over the past 15 years, **Bank of Montreal** (TSX:BMO)(NYSE:BMO) has increased its dividends at a CAGR of 6%.

The bank returned to profit and delivered strong Q4 results. Its earnings improved by 5%, reflecting higher loans and deposits and improvement in its efficiency ratio. I believe the uptick in economic activities and vaccine distribution in 2021 is likely to boost credit growth and support Bank of Montreal stock. Besides, its improving efficiency ratio and decline in the credit provisions are likely to cushion its earnings and drive its dividends.

Its stock trades at a P/BV ratio of 1.2, which is lower than its peers and reflects a discount of 20% to its peer group average of 1.5. Bank of Montreal stock pays a quarterly dividend of $1.06 a share, translating into a yield of 4.3%.

Capital Power

Capital Power (TSX:CPX) has raised its dividends at a CAGR of 7% over the past seven years. Further, it projects a 7% increase in its dividends in 2021, thanks to its highly contracted power-producing assets. The company's resilient business is backed by a young fleet of assets and long-term power purchase agreements that positions it well to deliver strong cash flows and drive its dividends. Further, a strong pipeline of contracted growth opportunities bodes well for growth.

Capital Power trades a significant discount when compared to peers. It is trading at an NTM EV/EBITDA multiple of 8.8, reflecting a discount of about 28% compared to a peer group average of 12.3. Further, it offers a high yield of 5.6%, which is very safe.

CATEGORY

1. Bank Stocks
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TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. NYSE:PBA (Pembina Pipeline Corporation)
3. TSX:BMO (Bank Of Montreal)
4. TSX:CPX (Capital Power Corporation)
5. TSX:PPL (Pembina Pipeline Corporation)

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