



3 Cheap Canadian Dividend Stocks to Buy in 2021

Description

If low interest rates are the culprit of reducing your income, you should explore safe stocks for greater income. Here are three cheap Canadian dividend stocks that are great buys in 2021.

Notably, they offer safety of principal due to their cheap valuations and earnings growth outlook.

Fortis stock

Fortis ([TSX:FTS](#))([NYSE:FTS](#)) stock is a must-own dividend stock for income investors who seek safety and stability. It's a first-class regulated utility that generates highly predictable earnings and returns on its investments.

It's no wonder that the diversified utility, which largely consists of distribution and transmission, has increased its dividend for 47 consecutive years.

The leading North American utility has a full pipeline of projects, totaling \$19.6 billion, across its utility operations that will drive rate base growth and dividend growth of about 6% per year through 2025.

Currently, Fortis provides an attractive yield of 3.9%, which is about 50% greater than what the Canadian stock market offers.

A cheap Canadian dividend stock you can't ignore

With the [Keystone XL pipeline project](#) out of the picture, **TC Energy's** ([TSX:TRP](#))([NYSE:TRP](#)) growth will be dampened. Thankfully, the large-cap energy infrastructure stock has other ways to grow. Specifically, it still has \$25 billion of projects in its pipeline.

TC Energy's business model has key pillars to support stability through economic cycles. Its cash flows are underpinned by long-term contracts with limited commodity exposure.

The defensive dividend stock has paid increasing dividends for 20 consecutive years. Specifically, it

compounded its dividend by about 7% per year in that period.

This month, it'll probably increase its dividend by about 8%. Over the next few years, it has room to increase its dividend by about 5% per year.

Right now, TRP stock yields about 5.7%, which is more than double the income provided by the Canadian stock market. An 8% dividend increase implies a forward yield of 6.1%, which is even better!

Get higher growth from this dividend stock

While it's nice to get juicy passive income that is growing faster than inflation from Fortis stock and TC Energy, you can get higher dividend growth from **Alimentation Couche-Tard** (TSX:ATD.B).

Don't ignore the stock because its yield is less than 1%. The growth stock's dividend has increased more than 800% in the past 10 years. That is a growth rate of about 27% per year!

The company has reduced its leverage ratio substantially. However, since the pandemic, it has been running into hurdles when it tries to make big acquisitions. The Caltex Australia acquisition was abandoned, as was the **Carrefour** merger.

That said, management will find a way to grow in the fragmented convenience industry. It continues to keep a close eye on Asia and the United States for M&A opportunities. As well, it's growing organically in multiple ways.

Couche-Tard has been super resilient through the pandemic. Although revenues dropped, it expanded its margins and drove its earnings per share by more than 38% higher in the last 12 months!

Its yield is puny, but its payout ratio is very low as well. As a result, you can expect many years of dividend growth going forward.

The Foolish takeaway

Fortis, TC Energy, and Alimentation Couche-Tard are conveniently diversified across different sectors. Their businesses are relatively easy to understand, which is why they make great core holdings for most dividend investors.

Fortis is a regulated electric and gas utility. TC Energy transports oil and gas and also has some power and storage assets. Couche-Tard has a global network of convenience stores, of which many provide road transportation fuel.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing
4. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. NYSE:TRP (Tc Energy)
3. TSX:FTS (Fortis Inc.)
4. TSX:TRP (TC Energy Corporation)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing
4. Stocks for Beginners

Date

2025/07/07

Date Created

2021/01/22

Author

kayng

default watermark

default watermark