3 Best Canadian Dividend Stocks to Buy Under $50

Description

Looking for dividend stocks trading for less than $50? Consider buying the shares of **Algonquin Power & Utilities** (TSX:AQN)(NYSE:AQN), **Pembina Pipeline** (TSX:PPL)(NYSE:PBA), and **AltaGas** (TSX:ALA). These companies generate resilient cash flows that could continue to support the higher dividend payments in the future.

Algonquin Power & Utilities

Algonquin Power & Utilities stock offers a yield of 3.6% amid a lower interest rate and has hiked its dividends at a compound annual growth rate (CAGR) of 10% in the last 10 years. Its continued growth in earnings and cash flows has supported its dividend growth over the years. Notably, Algonquin Power & Utilities's adjusted EPS has grown at a CAGR of 13.5% from 2014 to 2019.

Its regulated utility business generates predictable and growing cash flows. Further, 85% of its power output is contracted with an average life of 13 years. Algonquin Power & Utilities expects its rate base to grow at a CAGR of 11.2% from 2020 through 2025, providing a solid base for earnings growth. Meanwhile, it projects 8-10% growth in its adjusted EPS over the next five years, suggesting that investors could expect the company to increase its dividend at a similar rate during the same period.

As for 2021, Algonquin Power & Utilities forecasts a 10% growth in its annual dividend and targets a payout ratio of 80-90% based on its EPS beyond 2021. Its low-risk business, US$9.4 billion capital plan, and opportunistic acquisitions are expected to support its growth in the coming years.

Pembina Pipeline

Energy infrastructure giant Pembina Pipeline is known for its robust dividend payments. It has consistently maintained and raised its dividends over the last 22 years. Notably, Pembina uninterruptedly paid its monthly dividends in 2020 despite the challenges from the COVID-19 pandemic, thanks to its strong fee-based cash flows and highly-contracted low-risk business.

Pembina expects to generate strong fee-based cash flows in the coming years, which could drive its dividend. Further, its long-term contracts have cost-of-service or take-or-pay arrangements that reduces volume and price risk.

The company's payout ratio is sustainable in the long run. Meanwhile, improvement in volumes and pricing and new projects are likely to support its earnings over the coming years. Pembina Pipeline stock offers a high dividend yield of 7.1%.

AltaGas

AltaGas (TSX:ALA) owns a balanced portfolio of low-risk regulated utility assets and high-growth midstream operations that drive its earnings and dividend payouts. Its utility business is likely to deliver strong EBITDA growth on the back of the continued increase in rate base. Meanwhile, cost reduction initiatives, customer growth, and decreasing leak rates are likely to support its profitability and drive its dividends.

While its utility business is expected to generate predictable cash flows, its midstream operations could gain from higher global export volumes. AltaGas is focusing on optimizing and increasing its use of the existing assets. Meanwhile, growth in the core business is likely to support its EBITDA growth.

AltaGas recently announced a 4% dividend growth and currently offers a high yield of 5%.

Final thoughts

The dividends of these **TSX** stocks are safe and could continue to increase in the future. The recovery in demand and continued strength in the base business is likely to drive earnings, in turn, the cash flows of these companies.

I would suggest investors to use the Tax-Free Savings Account (TFSA) to invest in these stocks to generate a tax-free dividend income.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Energy Stocks

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:PBA (Pembina Pipeline Corporation)
3. TSX:ALA (AltaGas Ltd.)
4. TSX:AQN (Algonquin Power & Utilities Corp.)
5. TSX:PPL (Pembina Pipeline Corporation)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn

4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Coronavirus
2. Dividend Stocks
3. Energy Stocks

Date
2025/08/27
Date Created
2021/02/10
Author
snahata