Got $2,000? Buy These 4 Undervalued Dividend Stocks

Description

Higher oil prices, better-than-expected fourth-quarter GDP, and the expectation of a rebound in consumer demand amid new stimulus have boosted the Canadian equity markets, with **S&P/TSX Composite Index** trading around 8.3% higher for this year. Despite the rise, few companies are still trading at attractive valuations and provide excellent buying opportunities. Here are four undervalued dividend stocks that you can buy right now for superior returns.

BCE

Amid the pandemic, consumer and commercial activities declined last year, impacting **BCE's** (TSX:BCE)(NYSE:BCE) financials and stock price. Although the company has made a bright start to this year, it still trades over 7% lower than its pre-pandemic levels, providing an excellent buying opportunity.

Meanwhile, BCE is hoping to double its 5G coverage and add 900,000 new direct fiber and wireless home internet connections this year, which could boost its financials. It has also planned to spend around $1.2 billion over the next two years to expand its broadband network. Despite its growth initiatives, the company is trading at an attractive valuation. Its forward price-to-earnings and forward price-to-sales multiples stand at 17.8 and 2.1, respectively.

Additionally, BCE has raised its quarterly dividends by 5.1% to $0.87 per share, with its forward dividend yield currently standing at 6.2%. Meanwhile, it was the 13th consecutive year of above 5% dividend hike.

Pembina Pipeline

Amid a strong recovery in the energy sector, **Pembina Pipeline** (TSX:PPL)(NYSE:PBA) is trading 23.5% higher for this year. Meanwhile, I believe the uptrend could continue, given its attractive valuation, healthy growth initiatives, and higher energy demand expectation amid increased economic activities. Currently, the company's price-to-book and forward price-to-earnings multiples stand at 1.7

and 15.8, respectively.

Meanwhile, Pembina Pipeline generates around 94% of its adjusted EBITDA generated from its fee-based and take-or-pay contracts, delivering stable cash flows. Further, the company would be investing around $785 million this year, which could boost its revenue and cash flows this year. The company's management expects its 2021 adjusted EBITDA to come in the range of $3.2 billion to $3.4 billion this year.

So, given its steady cash flows and healthy growth prospects, I believe its dividends are safe. Pembina Pipeline currently pays monthly dividends of $0.21 per month, with a forward dividend yield of 6.8%.

Enbridge

Despite the pandemic, **Enbridge** (TSX:ENB)(NYSE:ENB) has continued to raise its dividends for the 26th consecutive year. It currently pays quarterly dividends of $0.835 per share, representing a forward dividend yield of 7.4%. The company's highly contracted business has allowed it to raise its dividends consistently.

Further, Enbridge is continuing with its $16 billion secured growth projects, which could boost its financials in the coming years. Meanwhile, the company's management expects its DCF per share to grow at a rate of 5-7% over the next two years, which could allow the company to continue raising its dividends.

Its financial position also looks stable, with its liquidity standing at $13 billion as of December 31. So, given its high dividend yield, steady cash flows, and healthy growth prospects, I believe Enbridge is an excellent buy for an income-seeking investor.

Bank of Nova Scotia

Amid the hopes of demand recovery and strong economic growth, the **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) is trading 15% higher for this year. Meanwhile, last month, the company had reported an impressive fourth-quarter performance, which also contributed to its stock price growth. Despite the increase, the company still trades at a cheaper valuation compared to its peers. The company's forward price-to-earnings currently stands at 11.2, while its peer group's average stands at 12.6.

The uptick in economic activities, its significant exposure to high-growth markets, and lower provisions could drive Bank of Nova Scotia's financials in the coming quarters. Besides, the company has rewarded shareholders by paying dividends since 1833. Over the past decade, the company's board has raised its dividends at a compound annual growth rate of 6%.

Currently, it pays quarterly dividends of $0.90 per share, representing a forward dividend yield of 4.6%. Given its attractive valuation, healthy dividend yield, and improving operating metrics, the Bank of Nova Scotia could deliver superior returns this year.

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2. NYSE:BNS (The Bank of Nova Scotia)
3. NYSE:ENB (Enbridge Inc.)
4. NYSE:PBA (Pembina Pipeline Corporation)
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