3 Top Under-$50 Dividend Stocks to Buy Now

Description

The economic rebound and revival in demand are likely to support corporate earnings growth and drive dividend payments. As I expect corporate earnings to recover, here are the top three Canadian stocks that I believe could continue to boost their shareholders' returns through higher dividend payments. Furthermore, shares of these TSX-listed companies are trading under $50.

Algonquin Power & Utilities

Investors seeking a growing dividend income stream could consider buying **Algonquin Power & Utilities** (TSX:AQN)(NYSE:AQN). The utility company has raised its dividends by about 10% annually over the past 11 years, thanks to its high-quality earnings base backed by regulated and contracted assets.

Algonquin Power & Utilities projects its rate base to increase by about 11% annually over the next five years, which is likely to expand its high-quality earnings base and drive future dividends. Thanks to the growing rate base, Algonquin Power & Utilities expects its adjusted EBITDA to increase by about 15% annually through 2025. Furthermore, its earnings are likely to increase by 8-10% during the same period.

I believe the company's conservative business mix, rate base growth, strong balance sheet, and healthy earnings outlook position it well to deliver higher dividends in the coming years. At the current price levels, Algonquin Power & Utilities offers a dividend yield of 3.9%.

Enbridge

Like Algonquin Power & Utilities, **Enbridge** (TSX:ENB)(NYSE:ENB) is another top stock to generate a growing dividend income. The energy infrastructure company has more than 40 diverse cash flow streams that reduce risk and drive higher dividend payments. Further, contractual arrangements and expense management support its distributable cash flows (DCF) per share.

Enbridge's dividend has grown by 10% annually in the last 26 years. Further, it has paid dividends for about 66 years. I believe the momentum in its core business and recovery in mainline volumes is likely to boost its future cash flows and, in turn, its dividends.

Enbridge projects 5-7% growth in its DCF per share in the coming years, implying that its dividends could grow at a similar pace in the coming years. Moreover, improving demand, strength in the base business, and multi-billion-dollar secured capital program is likely to fuel dividend growth over the next decade. Enbridge offers a juicy dividend yield of 7.2%.

Pembina Pipeline

Pembina Pipeline (TSX:PPL)(NYSE:PBA) is known for its robust dividend payments, thanks to its highly contracted business that generates robust fee-based cash flows. It has maintained and increased its dividends since 1998. Besides, it is offering a high yield of 7.1%, which is safe.

I believe the recovery in energy demand, higher volumes, and increased pricing are likely to support Pembina's earnings and fee-based cash flows. Moreover, its exposure to diversified commodities and contractual arrangements reduces price and volume risk and drives its dividend payouts.

While Pembina offers a high yield, its stock is trading at a forward EV/EBITDA multiple of 10.2, which is well below its peer group average. Further, it is also lower than its three-year historical average trading multiple. Pembina Pipeline's low-risk business, strong fee-based cash flows, low valuation, and robust dividend payments make it a solid investment option.

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TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:ENB (Enbridge Inc.)
3. NYSE:PBA (Pembina Pipeline Corporation)
4. TSX:AQN (Algonquin Power & Utilities Corp.)
5. TSX:ENB (Enbridge Inc.)
6. TSX:PPL (Pembina Pipeline Corporation)

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