

3 Undervalued Canadian Stocks Paying a 4% Dividend or More

Description

It's been a very strong year for Canadian stocks, especially some of Canada's beloved dividend and cyclical stocks. Low interest rates and general optimism about the pandemic recovery have lead many great quality [dividend stocks](#) to increase in value.

Consequently, dividend yields have also dropped significantly. If you are still looking for some solid income and value, here are three Canadian stocks that look attractive for 2021 and beyond. They each pay a 4% dividend yield or more. Yet, they also have some attractive tailwinds or prospects that should propel them ahead for years.

An undervalued Canadian utility stock

Compared to many comparable competitors, **AltaGas** ([TSX:ALA](#)) still remains relatively cheap. This Canadian stock is up 13% year to date, but it still pays an attractive 4.6% dividend. Over the past few years, the company has been working to reduce debt and strategically focus its business.

Currently, 57% of its revenues come from a very stable regulated gas distribution business. With 100% of these assets in the U.S., the business should benefit as America quickly becomes vaccinated and gets back to normal life. There are lots of organic growth levers in this business, so investors should see above-average cash flow growth over the next few years.

Its integrated midstream business is also operating very well. It helps get Canadian natural gas products to international end markets. It is seeing very strong demand for liquid propane especially. Most peers in both segments garner a significantly higher earnings multiple. I expect as it proves its stabilized business model, investors should see the benefit of earnings multiple expansion and dividend growth.

A global e-commerce real estate play

Dream Industrial REIT ([TSX:DIR-UN](#)) is another stock that is attractively valued today. Year-to-date, this Canadian stock is only up 3.7%. The stock just raised some equity to fuel [its growth pipeline](#), so today is an attractive time to get in. It pays a 5.1% dividend here.

If you believe e-commerce is a growth trend for years ahead, Dream Industrial is a great real estate stock to own. It owns nearly 180 mixed-tenant distribution, logistics, and industrial properties across Canada, the U.S., and Europe.

Its properties are well-located and many are perfectly suited for "last-mile" distribution operations. Management sees ample opportunities for expansion in Europe now and in the future. It is expecting +10% cash flow growth in 2021. All-in, it looks like a solid way to get exposure to e-commerce and

garner a nice income stream.

A Canadian telecom stock leading the digital revolution

Telus ([TSX:T](#))([NYSE:TU](#)) stock has not really done much in 2021. It has faced some temporary headwinds with the CRTC enabling broader industry competition. Likewise, there are some concerns about the impact that the potential **Shaw–Rogers** merger could have on Telus.

Yet, amongst the Canadian telecom stocks this is my favourite. Today the company pays a well-covered 4.8% dividend. The company is a great dividend grower and expects to grow its payout by 7-10% over the next two years. Telus just announced it is going to accelerate the expansion of its fibre-optic network across Canada. This should also massively bolster its 5G roll-out plan.

Beyond that, this Canadian stock is a digital innovator. It has market-leading verticals in digital business services, virtual health, security, and even agriculture. These assets are still largely undervalued by the market. I expect as they mature, Telus will once again see a nice uptick in market value. This is a great name to buy for the yield and own for stable, long-term capital returns.

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1. Dividend Stocks
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TICKERS GLOBAL

1. NYSE:TU (TELUS)
2. TSX:ALA (AltaGas Ltd.)
3. TSX:DIR.UN (Dream Industrial REIT)
4. TSX:T (TELUS)

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