2 of the Cheapest Canadian Dividend Stocks With Yields Above 5%

Description

The **TSX Index** has been flying high of late, but that doesn't mean value is few and far between. On this side of the border, there's no shortage of cheap Canadian stocks with above-average dividend yields. In this piece, we'll have a closer look at two of my favourites.

Without further ado, consider pipeline darlings **Enbridge** (TSX:ENB)(NYSE:ENB) and **TC Energy** (TSX:TRP)(NYSE:TRP). The two midstream energy transporters have been steadily climbing out of their 52-week lows but are still off considerably from their all-time highs, which could be put to the test over the next two years as the world economy continues to heal from the coronavirus crisis.

Enbridge and TC Energy stock sport generous but safe dividend yields of 6.95% and 5.62%, respectively. Both payouts are still on the higher end of the historical range, making each name a compelling option for value-conscious income investors looking to lock in more yield for less.

Enbridge

Don't look now, but Enbridge stock, which had been under pressure since falling off a cliff in the spring of 2015, is picking up traction. It has been a choppy ride, but shares are now up 35% from their November 2020 lows. Like it or not, the former dividend darling is now at the intersection between value and momentum. And if this broader market rotation out of growth and into value continues in the early stages of this economic expansion, there's no telling how much higher Enbridge stock could fly.

The company recently came off some pretty solid first-quarter results. The company clocked in a modest EBITDA beat alongside no changes to 2021 guidance. As of right now, Enbridge plans to continue operating its Line 5 pipeline in defiance of Michigan's shutdown order. Enbridge and Michigan have already begun the mediation process regarding the matter. With no court ruling expected anytime soon, investors look to have shrugged off concerns over the pipeline, which, as it stands, will continue operating as planned for the time being.

As commodity prices continue trending higher, I suspect Enbridge stock will find itself on a sustained rally to higher levels over the next few years. In the meantime, income-hungry investors have more than enough incentive in the dividend to hang onto shares en route to a more favourable industry environment.

The cheap Canadian dividend stock trades at 2.5 times sales and 15.4 times earnings, both of which are way too low considering Enbridge's growth pipeline and the likelihood of much higher oil prices.

TC Energy

Sticking with the pipeline theme, we have TC Energy, a great midstream operator that's been treading water over the cancellation of the Keystone XL project. While Keystone XL was a big deal for the firm, there are way more growth projects in TC Energy's pipeline to get excited about. The firm has around $20 billion project backlog, with a $7 billion worth of projects under development. Each basket of projects is a meaningful source of long-term earnings growth that will support and fuel many dividend hikes for years to come.

Like Enbridge, TC Energy has endured a rough patch over the past year and a half. With soaring commodity prices, the tables will turn and TC Energy, I believe, could find itself breaking out to new all-time highs as investors flock to cheap, rich and growing dividends in firms that aren't as sensitive to potential rate hikes.

As one of the better-diversified midstream operators out there, I think investors would be wise to punch their ticket into the name while the cheap Canadian dividend stock trades at under five times sales. The recent $2.2 billion charge for Keystone XL's suspension is a tough pill to swallow. But even without the project, TC still looks in great shape to continue growing its bottom-line and its dividend at an above-average rate.

Foolish takeaway

Enbridge and TC Energy are some of the cheapest Canadian dividend stocks on the TSX. They've both got their own share of baggage, but I think their depressed valuations and swollen yields make them more than worth picking up here.

I think they're both buys here with the economic opening underway. But if I had to choose one, I'd go with TC Energy because I'm a huge fan of its geographical diversification and its post-2014 resilience.

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