



## 3 Undervalued TSX Dividend Stocks to Buy in May 2021

### Description

Despite Canadian stocks taking a breather as of late, the **S&P/TSX Composite Index** is still up 11.3% this year. Canada's plethora of financial, materials, real estate, and energy stocks are on the rise as the world starts to recover from the COVID-19 pandemic.

Stocks that were left for dead last year are now leading the charge to the top. Fortunately, for Canadian [dividend investors](#), there are still some decent deals to be found. Here are three of my favourite **TSX** dividend stocks to buy in May. They are still reasonably priced and present attractive short-term and long-term upside.

### A technology growth stock with a nice yield

It is not often that you find a TSX technology stock that also pays a decent dividend. Well, **Calian Group** ([TSX:CGY](#)) does. Today, it pays a 2% dividend. However, that isn't the only reason why I would own this stock.

Calian provides technological solutions in healthcare, learning, IT/cybersecurity, and satcom/communications. Its clients are largely governments or critical institutions. These include the Canadian military, the RCMP, NATO, and the European Space Agency. Consequently, it has very sticky contracts and provides expertise that is difficult to replicate.

While this TSX stock is relatively unknown, it has been growing significantly. Last quarter, it grew revenues and adjusted EBITDA by 33% and 40%, respectively. The company has a strong cash-rich balance sheet, a solid backlog, and attractive opportunities to grow organically and by acquisition.

Despite such strong growth metrics, the stock only trades with a forward earnings multiple of 16 times! For a long-term buy, it looks like a steal today.

### A TSX pipeline stock primed for growth ahead

**Pembina Pipeline** ([TSX:PPL](#))([NYSE:PBA](#)) pays an attractive 6.5% dividend. It is a nice way to play the recovery in oil markets. This TSX stock is appealing because its dividend is largely covered by cash flows from its contracted pipelines.

This basically means that in market downturns like the one we witnessed last year, its dividend was still very safe. Yet, when demand for oil and natural gas products return to growth, it gets the benefit of better pricing and higher margin volumes.

Throughout the pandemic, Pembina worked hard to reduce costs, find efficiencies, and improve its capital structure. It has actually unlocked a lot of excess capacity in its assets. Hence, it can grow but with much less capital expense going forward. Today, as energy demand steadily increases, Pembina is primed to earn very attractive adjusted EBITDA margins.

Similarly, by 2022 it will have a number of projects coming online. Consequently, it could see a decent uptick in cash flows. Today, this TSX stock trades at a price-to-earnings ratio of 15 times. However, given the potential for stable growth ahead, I think it deserves better.

## A top TSX utility stock

**Algonquin Power** ([TSX:AQN](#))([NYSE:AQN](#)) is an attractive TSX dividend stock for a number of reasons. First, it pays an attractive 4.5% dividend today. Algonquin is a serial dividend grower. It just [raised its dividend by 10%](#), and it has grown its dividend by the double digits for 11 years. Given this history, it is not hard to imagine that your yield on cost could be significantly higher years from now.

Algonquin is actually rolling out a \$9.2 billion capital plan. It is not only investing heavily in its regulated utility segment (70% of the spend), but is also expanding its renewable power business. It expects to accrete annual 8-10% earnings per share growth all the way to 2025 from this.

Yet, given its large exposure to the U.S., this TSX stock could also benefit from the Biden infrastructure renewal plan. There are also catalysts to grow its greenfield development pipeline and through acquisitions. This would all be upside from current earnings projections. While this stock is down almost 12% year to date, I believe the pullback is a great long-term entry point.

### CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing
4. Stocks for Beginners

### TICKERS GLOBAL

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

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