Cheap Canadian Dividend Stocks to Buy for Reliable Income

Description

Income investors are searching for top Canadian dividend stocks that still trade at cheap prices and offer attractive yields. Fortunately, some leading dividend stocks still appear undervalued.

Pembina Pipeline

Pembina Pipeline (TSX:PPL)(NYSE:PBA) reported solid Q1 2021 results with record adjusted EBITDA of $835 million. The midstream services provider should continue to benefit from the rebound in the oil sector through the second half of the year.

The 2021 capital program is fully funded by cash flow after dividends. This is important for income investors who want reliable guidance on their distributions. Pembina Pipeline has an attractive portfolio of growth projects that should support steady revenue increases in the coming years.

The board maintained the 2020 dividend hike last year. Investors currently receive a monthly distribution of $0.21 per share. That’s good for an annualized yield of 6.4% at the time of writing.

The stock trades near $39 compared to $53 before the pandemic, so there is decent upside potential as the energy sector continues its recovery.

TC Energy

TC Energy (TSX:TRP) operates more than $100 billion of assets that include power generation facilities, natural gas transmission lines, gas storage, and oil pipelines.

Roughly 95% of comparable EBITDA comes from long-term contracts or rate-regulated businesses. As a result, revenue and cash flow should be relatively predictable and reliable. TC Energy has $7 billion in capital projects under development and a total capital program of $20 billion through 2024.

The company has a great track record of raising the dividend, and the board expects to hike the payout by 5-7% per year over the medium term. The stock trades near $62 per share compared to $75 before the pandemic. Investors who buy at the current price can pick up a 5.6% dividend yield.

Barrick Gold

Barrick Gold (TSX:ABX)(NYSE:GOLD) might not be the first name that comes to mind when investors think about a dividend growth stock, but the gold miner deserves to be on the income radar. The board has tripled the dividend since 2018 and is giving shareholders a special return of capital this year. The combined payout adds up to US$0.78 per share. That's good for an annualized yield of about 3.25% at the time of writing.

Barrick Gold finished 2020 with zero net debt. The company's all-in sustaining costs are about US$1,000 per ounce. Gold trades near US$1,900 per ounce right now, so Barrick Gold has the potential to generate significant free cash flow. Investors should see another meaningful boost to the dividend this year.

Gold is finding favour again after the recent volatility in cryptocurrencies. Institutional investors might make a large shift back into the yellow metal in the coming months, which could drive gold back toward the 2020 high above US$2,075.

Barrick Gold trades near $29 compared to $40 last August. If gold is set to continue its recovery, Barrick Gold stock looks cheap today.

The bottom line

Pembina Pipeline, TC Energy, and Barrick Gold all appear undervalued today and offer income investors attractive dividends that should continue to grow in the coming years. If you have some cash to invest in your dividend portfolio, these stocks deserve to be on your radar.

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1. Dividend Stocks
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3. Investing
4. Metals and Mining Stocks

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3. TSX:ABX (Barrick Mining)
4. TSX:PPL (Pembina Pipeline Corporation)
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