



## 2 Undervalued Dividend Stocks on the TSX Today

### Description

The Canadian stock market is setting new highs this week! Don't you worry, though. Here are two undervalued dividend stocks you can consider today.

### An undervalued dividend stock

First, there's **Northland Power** ([TSX:NPI](#)), which is a global company that produces electricity from power-producing facilities that use clean energy sources. Its operating assets are primarily under long-term power-purchase agreements or other revenue arrangements with creditworthy customers. Therefore, its portfolio — with assets in Canada, Germany, the Netherlands, and Colombia — produces stable cash flow.

As of the end of March, Northland Power had a net economic interest in 2,266 MW of power-producing facilities with a total operating capacity of roughly 2,681 MW.

The utility's portfolio primarily consists of offshore wind assets (about 60% of operating income in 2020), followed by efficient natural gas (about 20%), onshore renewable, and other utility assets.

In April, through an equity offering at \$44 per share, Northland Power managed to raise \$990 million of gross proceeds, which helped fund the acquisitions of a Spanish renewables portfolio and the Baltic Power offshore wind project, adding net capacity of 540 MW and up to 1,200 MW, respectively. After the investments, it still had approximately \$875 million of liquidity to invest for business growth, including its pipeline of offshore wind projects.

The +16% correction from the \$50-per-share level earlier this year is a good entry point for Northland Power stock. The stock is undervalued at \$41.87 per share. The analyst average 12-month price target of \$50.27 represents near-term upside potential of 20%. Additionally, NPI stock offers a yield of nearly 2.9%.

Northland Power stock is awarded an investment-grade S&P credit rating of BBB.

## Algonquin Power & Utilities

Second, we have **Algonquin Power & Utilities** ([TSX:AQN](#))([NYSE:AQN](#)) stock, which comprises regulated utilities (natural gas, electric, and water) and non-regulated renewable energy (wind, solar, hydro, and thermal). Its [renewable energy portfolio](#) primarily involves long-term contracts that have inflation escalations. Altogether, they allow it to generate stable earnings and cash flow.

It is a consistent dividend-growth stock that has achieved Canadian Dividend Aristocrat status with 10 consecutive years of dividend increases. Its five-year dividend-growth rate is 10%. Actually, it's admirable that its dividend increases have remained steady at about this rate in the last decade.

The company has a US\$9.4 billion capital investment plan through 2025, which should continue to drive growth. This does not account for potential M&A activities or prospective greenfield opportunities!

Algonquin is not as undervalued as Northland Power, but it provides a bigger yield that would appeal to retirees or income investors. It's up to investors to determine if it provides a big enough margin of safety for purchase at the current discount. At the very least, it's a good hold here for income, especially since interest rates are low.

The [dividend stock](#) has corrected about 12% from its high of roughly \$22.50 per share. At US\$16.16 per share, according to the analyst consensus 12-month price target of US\$17.72, AQN stock has near-term upside potential of about 10%. It currently provides a 4.2% yield.

The dividend stock is awarded an investment-grade S&P credit rating of BBB.

## The Foolish takeaway

The market is at an all-time high. Therefore, there are fewer opportunities to buy stocks at bargains. Even when we find undervalued stocks like Northland Power and Algonquin, the discounts available aren't as attractive as during market-wide corrections.

Do-it-yourself investors must decide whether to invest new money, even when discounts are only about 10-20%, or wait for a bigger margin of safety with discounts of 30-45%. There's an opportunity cost in waiting as well.

Often, investors might take a hybrid approach — invest a portion of excess cash now but leave some dry powder on the side for potentially better buying opportunities.

### CATEGORY

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

### TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)

2. TSX:AQN (Algonquin Power & Utilities Corp.)
3. TSX:NPI (Northland Power Inc.)

## **PARTNER-FEEDS**

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

## **Category**

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

## **Date**

2025/08/25

## **Date Created**

2021/06/15

## **Author**

kayng

default watermark

default watermark