3 of the Best Canadian Dividend Stocks to Buy Under $20 Right Now

Description

It has been a great year for Canadian dividend stocks. Rising inflation and demand for cyclical products play well for many Canadian businesses. Likewise, with interest rates at all-time lows, investors are fleeing from bonds to income-yielding equities. Consequently, dividend yields are compressing and stock valuations are rising.

Yet there are still some attractive opportunities to buy fairly priced Canadian dividend stocks today. Here are three stocks trading under $20 per share that look like really attractive income investments for the long run.

A top Canadian utility stock

Algonquin Power (TSX:AQN)(NYSE:AQN) trades around $19.50 per share today and pays an attractive 4.3% dividend. This ESG stock has underperformed this year, largely due to the entire renewable power sector pulling back in the spring.

Yet this is a really solid business to own for the long term. 70% of its business is from a high-quality group of diversified utilities. Its base cash flows are very predictable. Likewise, 30% of its earnings comes from renewable power assets that have an average contract life of 13 years.

The majority of its assets are located in the U.S., so this Canadian stock is positioned to benefit from the potential Biden infrastructure plan. However, Algonquin is also rolling out its own $9.4 billion capital plan over the next five years.

Algonquin expects to accrete a minimum of 8-10% annual earnings-per-share growth over that time frame. This was the 11th straight year Algonquin has raised its dividend by 10% or more. I expect more of the same if it can execute its strategic growth plan.

A top Canadian energy streaming stock

A Canadian stock with a more focused exposure on traditional energy is **Topaz Energy** (TSX:TPZ). Oil and natural gas prices are rising, so I think it doesn't hurt for Canadian investors to have some exposure to this cyclical trend. Topaz is a nice way to get exposure, but without any direct commodity volatility risk.

It owns land royalty interests and natural gas infrastructure assets across Western Canada. This company literally just captures a stream of cash flows from owning assets, with hardly any operational costs.

Consequently, it garners a 90% free cash flow margin! The company has a low-levered balance sheet and ample dry powder to keep expanding its asset base. This Canadian stock trades around $16 per share, and it pays a 5.15% dividend. It recently raised that dividend by 5%, so that is always a positive sign for its business prospects.

A top real estate stock in the U.S.

WPT Industrial REIT (TSX:WIR.U) is a Canadian stock, but its industrial real estate assets are 100% in the United States. It owns 110 warehouse, logistics, and distribution properties in key logistic hubs in America. Since the pandemic, demand for industrial real estate has skyrocketed. E-commerce growth and general economic strength are leading to very strong rental rate growth in WPT's core markets.

Its management team has a particular strength at developing spec development properties. Upon stabilization, these properties generally garner higher-than-market returns on investment. Fortunately, its strategy is supported by a number of high-quality joint-venture partnerships.

Over the past four quarters, this REIT has been accreting very strong funds from operations growth. Given the strong industrial market, this trend appears to be sustained for some time forward. Today, this Canadian stock trades for $18 per share and pays a 4% dividend. Yet it actually trades at a fair discount to other U.S. industrial peers. Given its value proposition, I believe WPT can provide investors strong total returns for years to come.

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2. TSX:AQN (Algonquin Power & Utilities Corp.)
3. TSX:TPZ (Topaz Energy Corp.)

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