Canadians: 3 Dividend Heavyweights in Buy Territory

Description

There are plenty of Canadian dividend heavyweights that are trading at reasonable valuations this summer. This piece will have a closer look at four with yields between 4.5% and 7%. Without further ado, consider the following in ascending order of yield if you seek passive income on the cheap!

Telus: A dividend heavyweight for the 5G boom

With a 4.6% yield, Telus provides a unique mix of growth and income. The company has some pretty compelling industry catalysts on the horizon, with the rise of 5G infrastructure, which could beef up margins and lengthen the telecom firm's growth runway.

Sure, Telus stock tends to be overshadowed by its top peer in BCE, which boasts a larger dividend that typically surpasses the 6% mark. But with better growth prospects and a lack of media assets, Telus is one of the best ways to capitalize on a 5G upgrade cycle.

Moreover, Telus has demonstrated that it can outperform its peers, even during crises like the one endured last year. At just over 30 times trailing earnings, Telus is an expensive telecom, but it's expensive for a reason.

Telus is arguably the best telecom stock to own of the Canadian trio that is bound to enjoy the perks that come with being a member of a triopoly.

The stock may be off 1.5% from its all-time high, but it's still worth owning if you're looking for the perfect cocktail of dividends and growth.

TC Energy: A diversified dividend heavyweight with a juicy yield

TC Energy (TSX:TRP)(NYSE:TRP) is a proven pipeline firm that's gushing with cash. The stock has dragged its feet ever since the 2020 stock market crash struck. Although the industry has appeared to have turned a corner, with energy prices rising considerably over the past year, shares of TC Energy are still off 20% from the top.

The cancellation of Keystone XL was a big blow to TC, but the company is well-poised to move on with other projects that will allow the firm room to grow its dividend further. The stock currently sports a bountiful 5.7% yield after its latest 7% pullback from those mid-June highs.

If you're looking for a diversified company with a utility-like operating cash flow stream and above-average dividend growth prospects, it's hard to match TC Energy here at just 2.2 times book value. A ridiculously depressed multiple that may not be sustainable over the long haul.

Enbridge: More yield for an even lower price

Sticking with the pipeline plays, we have **Enbridge** (TSX:ENB)(NYSE:ENB), which boasts an even juicier 6.9% dividend yield. The company has endured a brutal past five years, yet the dividend is still standing! And that's thanks to management which remains a friend to income investors.

The balance sheet was stretched considerably last year, and the dividend was a burdensome commitment. With the tides turning over the past year, though, I think Enbridge's managers have the right to say "I told ya so," as the dividend is now on far stabler footing. As new projects add to Enbridge's cash flows, investors can expect more annual dividend raises to come.

If tailwinds pick up, don't be surprised if the confident management team rewards a higher-than-expected dividend hike as a thank you to investors who stood by it through thick and thin.

In terms of valuation, Enbridge is one of the cheapest high-yield plays on the TSX. The stock trades at an absurd 1.8 times book value. Yes, pipelines aren't the sexiest place to be these days. But the valuation is far too low, given the improving macro backdrop and the much-improved state of Enbridge's balance sheet.

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