3 Cheap Dividend Stocks to Buy on the TSX in August 2021

Description

With the **TSX Index** near all-time highs, it is getting harder to find cheap dividend stocks that still pay attractive yields. At this point in the market, most stocks that are cheap are likely cheap for a reason (i.e., they have problems, a poor balance sheet, or major business headwinds).

Fortunately, there are still a few stocks that are undervalued, and unjustly so. It could be that they had a temporary earning misstep, their story is misunderstood, or they are just not well known.

Regardless, it can present a great opportunity for investors willing to be patient. Here are three cheap TSX dividend stocks I would consider buying as August comes to an end.

Pembina Pipeline: A solid TSX pipeline stock

While **Pembina Pipeline** (TSX:PPL)(NYSE:PBA) operates in the oil sector, it is far from just an "oil stock." Unlike energy producers, its business is only modestly reliant on oil pricing. Its bread and butter come from operating toll-like pipelines and midstream operations. These provide essential, contracted transportation and processing services to its counterparties.

Pembina pays a really attractive 6.5% dividend right now. That yield is almost impossible to find in the market today. Given that Pembina maintained that dividend through the 2020 oil crash and pandemic, I think it is pretty safe here.

Today, with the slightly improved oil markets, this company is operating well on almost every front. This TSX stock only trades with a price-to-earnings ratio of 15 times, so it is still looks pretty cheap today.

Dream Industrial REIT: A growing real estate stock

Given e-commerce and domestic manufacturing trends, industrial real estate is a hot commodity for retail and institutional investors. Despite a solid run-up in 2021, **Dream Industrial REIT** (TSX:DIR.UN) still looks attractive today. Almost every industrial peer in Canada or the U.S. trades with a price-toadjusted funds from operation (a key cash flow metric for REITs) above 30 times. Dream Industrial trades around 23 times.

This company has a really high-quality portfolio of well-located warehouse and distribution properties. This portfolio is spread across Canada, the United States, and Europe. Its exposure to Europe has enabled it to significantly lower its debt levels. Today, it has an average cost of debt of only 1.5%!

This means it is capturing very wide cash flow yield spreads. Combine high occupancy, active leasing demand, and strong rental rate growth, and this REIT should see low-teens cash flow-per-share growth over the next few years. Today, this TSX stock pays a great 4.3% dividend.

Sylogist: A TSX tech stock with an attractive dividend

You don't generally capture an attractive dividend from a TSX technology stock. Yet, **Sylogist** (TSX:SYZ), an ERP solutions provider, pays a great 4.5% dividend. The company provides crucial software for school districts, municipalities, and non-profit organizations. Its revenues are very sticky. Over 80% of revenues are recurring. Likewise, it captures pretty attractive +50% EBITDA margins.

You need to be a bit of contrarian with this TSX stock. Sylogist has a new management team who are actively moving the business from a cash cow to a growth stock. Consequently, over the past few quarters, there have been some "growing pains," as the company postures itself for faster growth.

Fortunately, this company has a cash-rich balance sheet, a strong customer base, and, in essence, "good bones." If management can achieve its strategy, investors could see a significant re-rating in the stock price. That is a big *if* to achieve. However, given its depressed share price, investors have a decent margin of safety if they buy today.

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2. TSX:DIR.UN (Dream Industrial REIT)
3. TSX:PPL (Pembina Pipeline Corporation)
4. TSX:SYZ (Sylogist Ltd.)

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