2 Underrated Dividend Stocks That Offer Stability and Big Income

Description

North American markets have seen volatility return in the late summer and early fall. Markets have been on an incredible run since the broader pullback during the early stages of the COVID-19 pandemic in 2020. Investors should always be cautious in a climate rich with overheated equities. Today, I want to look at two dividend stocks that often fall under the radar. These stocks are worth a look in early October. Let's dive in.

This under-the-radar utility offers nice long-term stability

Emera (TSX:EMA) is a Nova Scotia-based company that is engaged in the generation, transmission, and distribution of electricity to various customers. Its shares have climbed 7% in 2021 as of close on September 29. However, this dividend stock has dropped 3.5% month over month.

In early September, I'd discussed why utility stocks like Emera were worth snatching up in a high-inflation environment. Utilities continued to operate in the face of the pandemic as essential services. These equities have historically been a reliable hold, as the business is resilient, even in the face of an economic downturn.

The company released its second-quarter 2021 earnings on August 11. It reported adjusted net income of $137 million or $0.54 per share — up from $118 million, or $0.48 per common share in the second quarter of 2020. Meanwhile, Emera posted adjusted net income of $380 million, or $1.49 per share, in the first six months of 2021. This was up from $311 million, or $1.27 per share, in the first six months of the previous year.

Shares of this dividend stock possess a price-to-earnings (P/E) ratio of 23. That puts Emera in favourable value territory relative to its industry peers. It offers a quarterly dividend of $0.637 per share. This represents a solid 4.4% yield.

Don't sleep on this dividend stock with a mouth-watering yield

Capital Power (TSX:CPX) is another underrated dividend stock that Canadian investors should look to as volatility picks up. This Edmonton-based company is involved in the development, acquisition, ownership, and operation of power-generation facilities in North America. I'd suggested that investors should snatch up this dividend all-star stock last year.

This company offers very attractive diversification in the fast-growing green energy space. Shares of this dividend stock have climbed 21% in the year-to-date period. The stock is up 45% from the prior year.

In Q2 2021, Capital Power reported adjusted EBITDA of $241 million — up from $217 million in the second quarter of 2020. Adjusted EBITDA rose to $544 million for the first six months of the year compared to $451 million for the same period last year. Meanwhile, adjusted funds from operations were reported at $250 million, or $2.31 per share, for the first six months — up from $215 million or $2.15 for the year-to-date period in 2020.

This dividend stock last had a P/E ratio of 25. That puts Capital Power in attractive value territory compared to its top competitors in this space. Better yet, it last paid out a quarterly dividend of $0.547 per share. This represents a strong 5.1% yield.

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