2 Dividend Stock Dips: Should You Buy Them Both?

Description

Investors buy the dips on dividend stocks to get bigger yields for their purchases. Here are a couple of dividend stocks that have dipped recently. Should you buy them both? Let's explore!

Algonquin Power & Utilities

Algonquin Power & Utilities (TSX:AQN)(NYSE:AQN) continued with its acquisition strategy by acquiring Kentucky Power and Kentucky Transmission for about US$2.85 billion, which includes the assumption of US$1.22 billion debt. The acquisition aligns with Algonguin's portfolio of rate-regulated assets.

As the press release described, "Kentucky Power is a state rate-regulated electricity generation, distribution and transmission utility operating within the Commonwealth of Kentucky, serving approximately 228,000 active customer connections and operating under a cost of service framework. Kentucky TransCo is an electricity transmission business operating in the Kentucky portion of the transmission infrastructure that is part of the Pennsylvania – New Jersey – Maryland regional transmission organization. Kentucky Power and Kentucky TransCo are both regulated by the U.S. Federal Energy Regulatory Commission (FERC)."

Algonquin stock is expected to experience a dip today. It's not so much that the investing community doesn't like the acquisition, but it's more about how the company is funding the acquisition. AQN is funding the acquisition with a bought deal equity financing of $800 million. AQN's new stock issue goes for $18.15 per share, which would be a dip of roughly 2.5% from the Monday market close price. The dip should place the dividend stock at a yield of around 4.7%.

The dividend stock has been in a big consolidation since 2020. The stock currently trades roughly inthe middle of the trading range. So, it's holding up for investors who are looking for a nice dividend.The utility's "greening the fleet" capabilities are well in line with the trend favouring renewable energy.So, it'll remain relevant as an investment. It's up to individual investors if they would take the 4.7% yield now or wait for a yield of at least 5%.

Restaurant Brands

Restaurant Brands International (TSX:QSR)(NYSE:QSR) reported its third-quarter (Q3) results on Monday. Since then, the restaurant stock has dipped about 6.6% on the **TSX**. At $71.44 per share at writing, the dividend stock is down about 18% from its 52-week high.

Some pundits are attributing the drop in the stock to the company's lagging revenues. However, the pressure might actually be because COVID-19 pandemic impacts could continue to weigh on its results. Particularly, since the pandemic has been spreading in 2020, Restaurant Brands's locations around the globe have experienced different levels of impact. Sometimes, they're forced to temporarily close due to lockdowns. Other times, they may be operating at a limited level via drive-thru, takeout, delivery, reduced dine-in capacity, or restricted hours of operation.

The key highlights from the Q3 results indicate a robust business. They included consolidated system-wide sales growth of 11%, revenue growth of 12%, adjusted EBITDA growth of 8%, and adjusted earnings-per-share growth of 12% versus a year ago. As the dividend stock declines, it has become increasingly more compelling from a valuation standpoint and offers a juicier yield of roughly 3.7%.

Investor takeaway

To sum it up, investing is a long-term endeavour. Both dividend stocks are discounted. So, if you have a long-term investment horizon, it's not a bad time to buy some shares of both Canadian Dividend Aristocrats on the dip if you have excess cash on the sidelines.

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