



3 Top Canadian Dividend Stocks Trading at Attractive Valuations

Description

Amid the expectation of solid corporate earnings, the **S&P/TSX Composite Index** has continued its uptrend and currently trades 21.5% higher for this year. However, the rising inflation and expensive valuation are a cause of concern. In September, Canada's inflation rate rose to 4.4%, an 18-year high. So, in this uncertain environment, it is prudent to strengthen your portfolios with high-quality [dividend stocks](#). Meanwhile, the following three companies pay dividends at a healthier rate and trade at attractive valuations.

TC Energy

TC Energy ([TSX:TRP](#))([NYSE:TRP](#)) is one of the [reliable dividend stocks to have in your portfolio](#). It has increased its dividends at a compound annual growth rate (CAGR) of over 7% for the last 21 years. Its low-risk and regulated midstream assets generate predictable cash flows, thus allowing the company to pay dividends at a healthier rate. Currently, the company's forward yield stands at 5.15%.

Meanwhile, the company has witnessed a strong buying this year, with its stock price rising over 30%. Its [solid second-quarter performance](#) and increasing oil demand have supported its stock price growth. Despite the surge, the company is still trading below its pre-pandemic levels, providing an excellent buying opportunity. Its forward price-to-earnings and price-to-book multiples stand at 16.1 and 2.3, respectively.

Along with rising oil demand due to the economic expansion, TC Energy's \$21 billion capital investment program and a solid developmental pipeline could boost its financials and cash flows in the coming quarters. Its management is optimistic about its future cash flows. So, the management expects to increase its dividends by 5-7% annually for the next few years.

Algonquin Power & Utilities

Algonquin Power & Utilities ([TSX:AQN](#))([NYSE:AQN](#)) operates low-risk utility assets and regulated renewable power-producing facilities, which generate stable cash flows. Supported by these steady

cash flows, the company has raised its dividends by over 10% annually for the last 11 years, with its forward dividend yield standing at a juicy 4.54%.

Meanwhile, Algonquin Power & Utilities looks to expand its utility and renewable assets by investing around \$9.4 billion through 2025. Along with these investments, its acquisitions, strong underlying business, and increased transition towards renewable or clean energy could boost its financials. Its financial position also looks healthy, with its liquidity standing at \$2.18 billion as of June 30. So, I believe the company's dividends are safe.

However, Algonquin Power & Utilities has underperformed the broader equity markets this year, losing over 8% of its stock value. The delay in the passage of the U.S. infrastructure bill appears to have weighed on its stock price. Amid the correction, the company trades at a forward price-to-earnings of 19.1. Despite the near-term volatility, the company's long-term growth prospects look healthy.

BCE

My final pick would be **BCE** ([TSX:BCE](#))([NYSE:BCE](#)), one of the three top players in the Canadian telecommunication sector. With a significant percentage of its revenue coming from recurring sources, BCE's cash flows are mostly predictable, which has allowed it to raise its dividends uninterrupted from 2008. Currently, it pays a quarterly dividend of \$0.875 per share, with its forward yield standing at 5.53%.

Amid the digitization of business processes, the growth in e-commerce, and rising remote working and learning, the demand for faster and reliable communication services is growing. So, BCE is aggressively investing in expanding its high-speed internet and 5G network across Canada to strengthen its competitive positioning. Also, the company's strong liquidity of \$5.3 billion augurs well with its growth. So, the company is well-positioned to continue paying dividends at a healthier rate.

Despite its healthy growth prospects and high dividend yield, BCE currently trades at an attractive forward price-to-earnings multiple of 19.5, proving an excellent buying opportunity.

CATEGORY

1. Dividend Stocks
2. Energy Stocks

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:BCE (BCE Inc.)
3. NYSE:TRP (Tc Energy)
4. TSX:AQN (Algonquin Power & Utilities Corp.)
5. TSX:BCE (BCE Inc.)
6. TSX:TRP (TC Energy Corporation)

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