2 Crazy-Cheap TSX Dividend Stocks to Buy in November 2021

Description

The market rally in 2021 wiped out most of the pandemic deals, but dividend investors can still find undervalued stocks to add to their portfolios.

Suncor

Suncor (TSX:SU)(NYSE:SU) reported Q3 earnings that put to bed any concerns the company is still struggling to bounce back from the hit it took in 2020. The business generated $2.6 billion in funds from operations and operating earnings of $1.04 billion. Net earnings came in at $877 million. That's a major turnaround from the same period last year when Suncor posted a net loss in the quarter.

WTI oil has more than doubled in price from this time last year, and the outlook through the first half of 2022 looks positive. Fuel demand continues to rebound, as pandemic restrictions ease and the global economy gets back on track.

At the same time, OPEC appears committed to adding new supply at a measured pace in order to maintain high prices. Some pundits think the group might change its tone if the U.S. government exerts more political pressure, while others are of the opinion that there isn't much extra capacity to boost supply due to reduced capital expenditures last year.

Even if WTI oil simply holds its current price above US$80 per barrel, Suncor's stock appears undervalued. The shares currently trade near $32 compared to $44 before the pandemic when oil was actually a lot cheaper.

Suncor is using excess cash to reduce debt and buy back up to 7% of the outstanding stock under the current share repurchase plan. The board just increased the dividend by 100%, bringing the payout back to the 2019 level. Another large increase could be on the way in 2022.

Investors who buy now can pick up a 5.25% dividend yield.

Algonquin Power

Algonquin Power (TSX:AQN)(NYSE:AQN) has a long track record of growing through strategic acquisitions. That trend continues. The company recently announced a deal to buy Kentucky Power for US$2.846 billion. The purchase adds 228,000 electricity customers and is expected to be accretive to adjusted net earnings per share in the first year.

Algonquin Power intends to replace more than one GW of rate-based fossil fuel power generation at Kentucky Power with renewable energy assets.

The stock dropped on the news, primarily due to the added announcement that the company is issuing $800 million of stock through a bought deal at $18.15 per share. That was a small discount to the previous day’s closing price. In addition, Algonquin Power warned that its 2021 results will come in at the low end of guidance as a result of weak revenue from some of the wind farms.

At the time of writing, the banks are under water on the deal. Algonquin Power currently trades for $17.85. It was as high as $22.50 earlier this year.

The stock might bounce around below $18 for the next little while and additional downside could be on the way if the Q3 numbers come out worse than expected. Algonquin Power is scheduled to report Q3 2021 earnings on November 11.

That said, the stock looks cheap right now for buy-and-hold investors and offers a 4.85% dividend yield. Algonquin Power raised the payout by 10% in 2020 and another increase in that range could be on the way in 2022.

The bottom line

Suncor and Algonquin Power look undervalued at their current prices and offer dividend investors attractive payouts with above-average yields. If you have some money to put to work in a self-directed portfolio, these stocks deserve to be on your buy list.

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