The 3 Best Cheap Dividend Stocks

Description

With interest rates at a record low, dividend stocks are one of the best investment avenues to generate a steady and safe yield. While plenty of Canadian companies pay dividends, we'll focus on three stocks that are trading cheap and offer high and reliable dividend yields.

Scotiabank

Scotiabank (TSX:BNS)(NYSE:BNS) has consistently grown its earnings at a healthy pace, which has led this bank to enhance its shareholders' returns through higher dividend payments. Scotiabank's earnings per share have grown at a CAGR of 7% since 2010. Meanwhile, its dividends have a CAGR of 6% during the same period.

Looking ahead, I expect Scotiabank's earnings to continue to benefit from its diversified exposure to high-quality growth markets, which will likely drive its dividends higher. Moreover, its growing scale and market share gains augur well for growth. Scotiabank's earnings are also expected to benefit from its solid credit quality, lower provisions, and operating efficiency.

Scotiabank stock has recovered sharply over the past year and a half. However, it is still trading cheap compared to its peers. It's worth noting that Scotiabank's P/BV ratio of 1.5 and P/E multiple of 10.3 is lower than its peers, making it attractive on the valuation front. Meanwhile, Scotiabank offers a solid dividend yield of 4.7%.

Pembina Pipeline

I believe the sharp recovery in the commodity prices, uptick in economic activities, and higher volumes could give a significant boost to **Pembina Pipeline** (TSX:PPL)(NYSE:PBA) stock, which is trading cheap. Pembina stock is trading at a forward EV/EBITDA multiple of 10, which is lower than its historical average. Meanwhile, its stock is also trading cheaper than its peers.

Besides trading cheap, Pembina stock offers a stellar dividend yield of 6.6%, which is backed by its high-quality fee-based ash flows. Notably, Pembina owns diversified assets that are highly contracted and generate robust fee-based cash flows. Thanks to its solid fee-based cash flows, its dividend-payout ratio is sustainable in the long run.

Pembina's strong backlogs, investments in growth projects, and solid capital-allocation strategy could continue to drive its revenues and cash flows. Meanwhile, contracted assets could help the company to maintain and grow its dividends.

Algonquin Power & Utilities

Thanks to the recent correction in its price, **Algonquin Power & Utilities** (TSX:AQN)(NYSE:AQN) stock is trading cheap. Furthermore, it is a reliable stock to generate a growing passive-income stream. Its regulated and contracted assets generate predictable cash flows that drive higher dividend payments.

Notably, Algonquin Power's dividend has a CAGR of 10% in the last 11 years. Moreover, its low-risk cash flows indicate that it could continue to grow its dividends at a healthy pace in the coming years. Its solid capital program, rate base growth, increasing renewables footprints, and cost-saving initiatives will likely support its earnings. Furthermore, strategic acquisitions will likely accelerate its growth.

The recent correction in Algonquin Power stock has driven its yield higher. Notably, it offers a high dividend yield of over 4.8%, which is very safe.

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1. Dividend Stocks
2. Investing

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2. NYSE:BNS (The Bank of Nova Scotia)
3. NYSE:PBA (Pembina Pipeline Corporation)
4. TSX:AQN (Algonquin Power & Utilities Corp.)
5. TSX:BNS (Bank Of Nova Scotia)
6. TSX:PPL (Pembina Pipeline Corporation)

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