3 High-Yield Dividend Stocks Trading Cheap

Description

Thanks to the recovery in corporate earnings and improving operating environment, Canadian dividend-paying stocks continue to enhance shareholders' returns through consistent payouts and hikes.

Further, a few of these high-quality dividend stocks are attractively priced at current levels and offering high yields, thus providing an excellent opportunity for investors to buy them cheap and generate reliable income.

Bank of Montreal

Bank of Montreal (TSX:BMO)(NYSE:BMO) stock has recovered sharply from its lows and is up about 42% this year. Despite the appreciation in its price, Bank of Montreal stock is attractively priced compared to peers. Its P/BV (price-to-book value) multiple of 1.6 is lower than the peer group average of two. Moreover, its NTM (next 12-month) price-to-earnings ratio of 10.7 is also lower than the peer group average of 12.

Besides trading cheap, Bank of Montreal continues to enhance its shareholders' returns through higher dividend payments. Bank of Montreal has paid dividends for about 192 years. Moreover, it recently announced a 25% hike to its quarterly dividends.

Its high-quality earnings led by high loan and deposit volumes and operating leverage suggest that the bank could continue to increase its dividends at a decent pace. Moreover, its diversified revenues base, solid balance sheet, and improving efficiency ratio bodes well for future growth. Including the recent hike, Bank of Montreal now offers a quarterly dividend of $1.33 a share, translating into a yield of 3.9%.

Capital Power

Power generation company **Capital Power** (TSX:CPX) is another solid dividend stock that is trading cheap. Its NTM EV/EBITDA ratio of 7.6 reflects a significant discount to the peer group average of 13.

Its conservative business mix and low valuation make it an attractive investment at current levels.

Further, the company has consistently increased its dividends for the past eight years and offers a high yield of 5.6%. Its diversified renewable power assets, contractual arrangement, and robust pipeline of growth opportunities will likely drive its dividends in the coming years. Moreover, its low target payout ratio of 45-55% is sustainable in the long term.

Pembina Pipeline

Pembina Pipeline (TSX:PPL)(NYSE:PBA) has paid and maintained its dividends for over 22 years. Moreover, its dividend has a CAGR of 5% over the past decade. Notably, Pembina's highly contracted business generates solid fee-based cash flows that cover its dividend payments. Furthermore, its exposure to diversified commodities lowers risk.

Despite the recovery in its price, Pembina's EV/EBITDA multiple of 10.1 is lower than its historical averages. Further, it trades at a discount to its peers. Overall, its ability to generate string fee-based cash flows, higher commodity prices, increased volumes, and solid growth projects indicate that Pembina could continue to boost its shareholders' value through dividend hikes in the coming years. It pays a monthly dividend and offers a high yield of 6.6%.

Bottom line

These Canadian companies have been paying and growing their dividends for a very long period. Moreover, their ability to consistently grow earnings and cash flows suggests their payouts and high yields are reliable in the long run.

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2. NYSE:PBA (Pembina Pipeline Corporation)
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