3 Cheap Dividend Stocks That You Can Buy Under $30

Description

The ongoing selloff provides long-term investors a chance to buy quality stocks at a lower price. Investors have seen a sharp correction in stock prices, which has driven dividend yields higher. A company's stock price has an inverse relationship with its dividend yield.

As valuations are compressed, investors are likely to benefit from capital gains as well over time. Here, we'll take a look at three cheap or undervalued dividend stocks trading on the TSX that should be on the radar of income investors right now.

Algonquin Power and Utilities

The first stock on my list is **Algonquin Power & Utilities** (TSX:AQN)(NYSE:AQN), which has slipped 19% from all-time highs. However, AQN stock has returned 350% to investors in dividend-adjusted gains over the last 10 years. At the time of writing, Algonquin offers investors a forward yield of 4.9%.

In Q3 of 2021, Algonquin increased sales by 40% to $528.6 million while adjusted EBITDA rose to $252 million — an increase of 27% year over year. Algonquin has spent $3.4 billion in capital expenditures in the last three quarters and is on track to increase the figure to $4 billion by end of 2021.

Algonquin is forecast to increase sales from $1.7 billion in 2020 to $3.4 billion in 2022. Comparatively, its earnings per share are expected to rise at an annual rate of 11% in the next five years.

Given consensus price targets, AQN stock is trading at a discount of 20% right now. After accounting for its tasty dividends, total returns will be close to 25% in the next year.

Keyera

The energy sector has staged a spectacular comeback since the bear market of 2020. The Canadian energy sector has returned 107% to investors in the past year. Alternatively, **Keyera** (TSX:KEY) has gained "just" 22% since January 2012 and is trading 17% below 52-week highs. At current prices, Keyera offers investors a forward yield of 6.94%.

Keyera is an energy infrastructure company and operates through multiple segments that include gathering & processing, liquids infrastructure, and marketing. It has 4,400 kilometres of gathering pipelines and holds interests in 12 active gas plants in Alberta.

The company continues to maintain a strong financial position and ended Q3 with a net debt to adjusted EBITDA ratio of just 2.7 times. It also ended the quarter with $1.4 billion in available liquidity.

Analysts tracking KEY stock expect shares to rise by 21% in the next year, which suggests investors could gain close to 28%, given its forward yield.

TransAlta Renewables

The final stock on my list is **TransAlta Renewables** (TSX:RNW), which is one of Canada's largest renewable energy companies. RNW stock is down 26% from record highs and offers a forward yield of 5.6%.

Bay Street expects the company to increase sales from $355 million in 2020 to $481 million in 2022. Comparatively, its adjusted earnings per share are forecast to rise at an annual rate of 28.4% in the next five years.

RNW stock is trading at a forward price-to-earnings multiple of 24, which is quite cheap, given its earnings forecast. After accounting for its dividend payout and price target estimates, investors can expect a 16% return in the next year.

CATEGORY

1. Dividend Stocks
2. Investing

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1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. TSX:AQN (Algonquin Power & Utilities Corp.)
3. TSX:KEY (Keyera Corp.)
4. TSX:RNW (TransAlta Renewables)

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