



3 Cheap Dividend Stocks to Buy Under \$20

Description

Amid the fears of interest rate hikes, the global equity markets have turned volatile over the last few weeks. So, given the uncertain business environment, investors can strengthen their portfolios by investing in quality dividend stocks. If you wish to buy [dividend stocks](#), here are my three top picks that you can buy for under \$20.

TransAlta Renewables

Last month, **TransAlta Renewables** ([TSX:RNW](#)) had [announced](#) that it needs to replace all the foundations of 50 wind turbines at its Kent Hills 1 and 2 wind sites. The management expects to complete the replacement by the end of 2023. Meanwhile, the company could incur expenses in the range of \$75-\$100 million while also losing monthly revenue of \$3.4 million until these turbines become operational.

The announcement had led to a steep fall in TransAlta Renewables's stock price, which trades at a 24% discount from its 52-week high. Meanwhile, the steep correction provides an excellent entry point for long-term investors. The company has an interest in 49 diverse power-producing facilities and sells most of the power through long-term contracts, thus providing stability to cash flows. These robust cash flows have allowed the company to raise its dividend at a CAGR of 3% since 2013. With its monthly dividend of \$0.07833 per share, the company's forward yield currently stands at a juicy 5.46%.

Meanwhile, the company has approximately 2.9 gigawatts of projects in the evaluation stage. Also, it focuses on strategic acquisitions to drive growth. So, given its healthy growth prospects and stable cash flows, [TransAlta Renewables would be an excellent buy for income-seeking investors](#), despite the near-term volatility.

Algonquin Power & Utilities

Algonquin Power & Utilities ([TSX:AQN](#))([NYSE:AQN](#)) services around one million customers across North America, meeting their energy and water needs. It owns, operates, or has an interest in four

gigawatts of renewable power-producing facilities and sells the power from these facilities through long-term contracts. Given its low-risk and regulated business and strategic acquisitions, the company has been generating substantial cash flows, which has helped it raise its dividend for the previous 11 years at a CAGR of 10%. Its forward yield currently stands at a juicy 4.78%.

Algonquin Power & Utilities, which has made a capital investment of \$3.4 billion in the first nine months of 2021, expects to invest an additional \$12.4 billion from 2022 to 2026, expanding its utility and power-generating assets. Along with these investments, its continued strategic acquisitions could drive its financials in the coming quarters. Given its growth initiatives and stable cash flows, the company is well equipped to continue its dividend growth.

Meanwhile, Algonquin Power & Utilities is currently trading at a 20% discount from its 52-week highs amid the weakness in renewable energy space. The correction has dragged its forward price-to-earnings multiple down to an attractive 18.5.

Pizza Pizza Royalty

The pandemic had severely hurt the food services companies. However, **Pizza Pizza Royalty** ([TSX:PZA](#)) has fared better than its peers due to its highly franchised business model and investments in strengthening its digital, pick-up, and delivery channels. Also, the implementation of consumer-centric safety measures and effective marketing campaigns boosted its financials.

Meanwhile, I expect these investments to continue driving Pizza Pizza Royalty's financials in the coming quarters. Also, with the economic expansion and easing COVID-19 concerns, the company could restart the expansion of its restaurant network, driving growth. So, I believe the company's dividend is safe. Meanwhile, it currently pays a monthly dividend of \$0.06/share, with its forward yield at an attractive 6.07%.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. TSX:AQN (Algonquin Power & Utilities Corp.)
3. TSX:PZA (Pizza Pizza Royalty Corp.)
4. TSX:RNW (TransAlta Renewables)

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