



2 Cheap Dividend Stocks to Buy Now for Passive Income

Description

Dividend investors can still find cheap stocks that pay growing distributions and offer attractive yields for a portfolio focused on passive income.

Algonquin Power

Algonquin Power ([TSX:AQN](#))([NYSE:AQN](#)) is an interesting company. The asset base consists of non-regulated renewable energy and regulated electric, natural gas, and water utilities. AQN stock sold off last year as part of the overall pullback in the renewable energy [sector](#), but the damage appears overdone, especially when you look at the stability of the utility assets and the ongoing changes in the asset mix.

Algonquin Power is in the process of buying Kentucky Power. The US\$2.85 billion acquisition will significantly boost the size of the regulated assets and increase the utility customer base by 19%. In addition, Algonquin Power announced a US\$12.4 billion capital program through 2026 with 70% of the investments targeted at regulated assets.

Management expects adjusted net earnings per share to grow at a compound annual rate of at least 7% for the next five years. This should support steady dividend increase that are in that same range or even higher. Algonquin Power has increased the payout by 10% per year over the past decade.

The stock trades near \$17.70 at the time of writing compared to \$22 in February last year. Investors who buy Algonquin Power shares at the current price can pick up a solid 4.9% dividend yield.

Enbridge

Enbridge ([TSX:ENB](#))([NYSE:ENB](#)) recently pulled back after an analyst downgrade. The stock moved meaningfully higher in the past two months, so the dip was expected.

Enbridge now trades near \$52.50 per share compared to \$55.50 a few days ago. Investors who buy

the stock now can get a solid 6.5% dividend yield. That's an attractive return for a portfolio primarily focused on passive income.

The oil and gas infrastructure sector faces some growth headwinds due to public and government opposition to new major pipeline projects. However, the other side of the coin is that the core infrastructure that is already in place should become more valuable.

Enbridge is shifting its capital programs to its renewable energy and natural gas businesses. The company announced an extra \$1.1 billion in investments for the two divisions and still has attractive organic growth opportunities across its vast asset base. For example, Enbridge is planning new carbon-capture and storage hubs to help power, cement, and energy companies meet their [ESG](#) targets in the coming years.

Management expects distributable cash flow to increase by 5-7% annually over the medium term. This should support steady dividend hikes. The board raised the dividend by 3% for 2022 and has increased the payout in each of the past 27 years.

The bottom line on top stocks for passive income

Algonquin Power and Enbridge are top dividend stocks that look cheap right now and pay growing distributions with above-average yields. If you have some cash to put to work in a portfolio focused on passive income, these stocks deserve to be on your radar.

CATEGORY

1. Dividend Stocks
2. Investing

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1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:ENB (Enbridge Inc.)
3. TSX:AQN (Algonquin Power & Utilities Corp.)
4. TSX:ENB (Enbridge Inc.)

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