3 Undervalued Dividend Stocks to Buy in February 2022

Description

Dividend stocks and value stocks have been the shining stars of the **TSX** stock market so far in 2022. Financials, real estate, infrastructure, and energy stocks have all been outperforming their flashy tech and growth counterparts.

Both economic and geopolitical risks are plaguing the market, and investors are moving towards de-risked assets. Dividend stocks are ideal in this environment, because they provide a consistent cash return, no matter what the market does. Also, many dividend stocks are still cheap when compared to their growth-focused peers.

Consequently, it is a great area to invest in right now. Three dividend stocks that look cheap today are **Pembina Pipeline** (TSX:PPL)(NYSE:PBA), **ARC Resources** (TSX:ARX), and **Brookfield Renewable Partners** (TSX:BEP.UN)(NYSE:BEP).

An energy infrastructure stock with a top dividend

Pembina Pipeline is the picks-and-shovels way to play the recent oil boom without too much direct commodity price risk. Pembina operates integrated infrastructure (pipelines, fractionation facilities, midstream) and services across Canada and the United States.

Over 95% of its assets are contracted, so it collects predictable streams of cash flow. However, when oil prices rise, often, so do oil/gas volumes through its infrastructure. As a result, it gets a nice uptick in margins in strong energy markets and can invest in new organic growth projects.

Today, this dividend stock yields around 6% and pays a nice monthly $0.21 dividend per share. Pembina trades at a discount to its pipeline peers, but unfairly so. Consequently, it could deliver a nice total-return profile in the next few years.

An undervalued energy stock

If you are looking for direct energy commodity exposure, ARC Resources looks very well positioned. It produces a diverse mix of natural gas, crude oil, condensate, and NGLs in Western Canada.

In its recent fourth-quarter results, production increased to 345,831 barrels of oil equivalent per day, which largely beat analysts' expectations. That resulted in $459 million of free fund flows. Over half this amount was returned to shareholders through dividends and share buybacks.

For the year, it generated $2.16 per share in free funds flow per share, which was a new record. At current energy prices, it is generating a +20% free cash flow yield. Despite rising 28% this year, this dividend stock only trades with a price-to-earnings ratio of seven.

It pays a quarterly dividend worth $0.10 per share. That equals a 2.7% dividend. Given the strong energy environment, chances are very good that dividend will continue to rise this year.

A great dividend-growth renewable stock

If you are opposed to investing in oil stocks, one clean energy option is Brookfield Renewable Partners. If you want to exposure to the renewable energy trend, why not own one of the largest and the best?

It operates 21 gigawatts (GW) of renewable power across the world. However, it has 15 GW currently under construction. It has more than 60 GW in its long-term development pipeline! Brookfield has a some highly valued hydro assets that make up a large portion of its current portfolio. These are very long-life assets that deliver stable cash flows.

This helps offset the operational variability sometimes associated with renewables. Consequently, the company produces an attractive cash flow profile that supports its 3.6% dividend. It just raised its distribution payout by 5%. The stock is down 25% over the past year, which makes its valuation quite attractive today. All around, this is an attractive growth and income stock to buy and hold for the long run.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. NYSE:PBA (Pembina Pipeline Corporation)
3. TSX:ARX (ARC Resources Ltd.)
4. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
5. TSX:PPL (Pembina Pipeline Corporation)

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