3 Top Dividend Stocks Available at Attractive Valuations

Description

The expectation of aggressive rate hikes due to rising inflation, prolonged Russia-Ukraine conflict, and resurgence of COVID-19 cases appear to have made investors nervous, thus increasing the volatility in the equity markets. So, in this volatile environment, investors can strengthen their portfolios by adding the following three dividend stocks, which are trading at attractive valuations.

Suncor Energy

Suncor Energy (TSX:SU)(NYSE:SU) is an integrated energy company that specializes in producing synthetic crude from oil sands. Supported by higher oil prices and solid fourth-quarter performance, the company is trading at over 27% higher for this year. Despite the surge, its NTM price-to-sales multiple and NTM price-to-earnings multiple stand at an attractive 1.3 and six, respectively.

Meanwhile, oil could trade at elevated levels in the near to medium term amid rising demand and the banning of Russian oil by the United States. **Goldman Sachs** expects WTI oil to reach US$125/barrel in the second half of this year. So, higher oil prices could benefit Suncor Energy.

Meanwhile, the company has also strengthened its production capabilities to increase its production by 5%. Also, the decline in its operating expenses, falling debt levels, and a new share-repurchase program could boost the company’s financials in the coming quarters. Given its healthy outlook, I believe Suncor Energy’s dividend is safe. It currently pays a quarterly dividend of $0.42/share, with its forward yield at 4.22%.

TransAlta Renewables

TransAlta Renewables (TSX:RNW) has an economic interest in over 50 power-producing facilities, with a gross installed capacity of three gigawatts. The company sells the power through long-term agreements, with its weighted average contract life at around 12 years. These long-term agreements shield its financials from price and volume fluctuations, thus delivering resilient cash flows irrespective of the economic cycles.

Meanwhile, TransAlta Renewables has continued its expansion through strategic acquisitions. Over the last few months, the company has acquired the Windrise Wind Project and North Carolina Solar projects. Supported by its acquisitions and robust project pipeline, the company's management expects its adjusted EBITDA to increase by 9% from 2021 levels. Meanwhile, the company could also benefit from the increased transition towards clean energy.

So, I believe TransAlta Renewables is well positioned to continue paying its dividend at a healthy rate. Its forward yield currently stands at 5.18%. The company trades at an attractive forward price-to-earnings multiple of 24.4.

Bank of Scotia Nova

Third on my list would be the **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS). Amid the weakness in the financial services sector, the company has lost over 10% of its stock value compared to its 52-week high and trades at an attractive NTM price-to-earnings multiple of 10.1, which is lower than its peers.

Meanwhile, the improvement in economic activities amid economic expansion could drive loan originations, increasing the demand for the company's services. The company could also benefit from higher interest rates, as it could increase the spread between the lending and deposit rates, thus boosting its margins. Also, the company's substantial exposure to high-growth markets, strong balance sheet, and diversified revenue stream augur well with its growth.

Considering these factors, I believe the Bank of Nova Scotia is well positioned to continue paying its dividend at a healthy yield. With a quarterly dividend of $1/share, its forward yield stands at 4.71%.

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2. NYSE:SU (Suncor Energy Inc.)
3. TSX:BNS (Bank Of Nova Scotia)
4. TSX:RNW (TransAlta Renewables)
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