3 Cheap Dividend Stocks to Buy Under $20

Description

The S&P/TSX Composite Index has bounced back strongly from last month's lows to trade over 6% higher. However, due to the concerns over higher inflation, rising interest rates, and expected valuations, equity markets could remain volatile in the near term. So, investors can strengthen their portfolios by adding the following three dividend stocks that are trading under $20. These three stocks generate stable cash flows, thus allowing them to continue paying dividends at a healthier rate.

Algonquin Power & Utilities

With total assets of around $17 billion, **Algonquin Power & Utilities** (TSX:AQN)(NYSE:AQN) serves around one million customers in North America, meeting their electric and water needs. It also owns, operates, or has an economic interest in four gigawatts of renewable power-generating facilities. Given its low-risk business and long-term power-purchase agreements, the company's cash flows are stable irrespective of the state of the economy. So, the company has raised its dividend for the previous 12 years, with its forward yield currently at 5.18%.

Meanwhile, Algonquin Power & Utilities is continuing with its US$12.4 billion capital-investment plan, with around US$4.3 billion of investment in this year alone. These investments could expand its rate base and earnings. The company's management expects its adjusted EPS to grow at a CAGR of 7-9%through 2026. So, I believe Algonquin Power & Utilities is well positioned to continue its dividend growth. Its valuation also looks attractive, with its NTM price-to-earnings multiple standing at 18.4.

TransAlta Renewables

Second on my list is **TransAlta Renewables** (TSX:RNW), which has an economic interest in around 49 diversified power-producing facilities. It also operates one natural gas pipeline and one battery storage facility. It sells its power through long-term power-purchasing agreements, with a weighted average contract life of around 12 years, which shields its financials from price and volume fluctuations.

Meanwhile, the company is expanding its Mount Keith transmission system to support the northern Goldfields-based operations of BHP Nickel West, which could become operational by the second half of 2023. The company has several projects under the pipeline, which could boost its financials in the coming years. Given its liquidity of over $900 million, the company's financials position also looks healthy.

Currently, TransAlta Renewables pays a monthly dividend of $0.07833/share, with its forward yield standing at 5.5%. Its NTM price-to-earnings stand at an attractive 20.9. So, I am bullish on TransAlta Renewables.

Savaria

My final pick is **Savaria** (TSX:SIS), which provides accessibility solutions to physically challenged and older people across 40 countries. In January, the company completed the acquisition of Ultron, which could improve the manufacturing of electronic equipment used in its products. Its innovative products, enhanced supply chain due to the acquisition of Handicare last year, and growing market due to the rising aging population could boost its financials in the coming quarters.

Savaria plans to build a sub-assembly facility in Querétaro, Mexico, to support its core accessibility products production. The continued integration of Handicare and its efforts to improve efficiency could also improve its margins in the coming quarters. Despite its healthy outlook, the company currently trades at an attractive NTM price-to-earnings of 19.2. Meanwhile, it also pays a monthly dividend of $0.0417/share, with its forward yield at 3.52%.

CATEGORY

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2. TSX:AQN (Algonquin Power & Utilities Corp.)
3. TSX:RNW (TransAlta Renewables)
4. TSX:SIS (Savaria Corporation)

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Date
2025/08/18

Date Created
2022/06/02
Author
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