3 Cheap Canadian Stocks With Dividend Yields of Over 5%

Description

The data released by the U.S. Labor Department showed that the consumer price index increased by 8.6% in March, hitting a fresh 40-year high. With inflation not slowing down, investors are worried that the Federal Reserve of the United States could become aggressive in its interest rate hikes. So, these concerns are weighing on the equity markets, with the S&P/TSX Composite Index trading in the red today.

So, given the volatility in the equity markets, investors can buy the following three dividend stocks that pay dividends, with yields of over 5%. Also, these companies are currently trading at attractive valuations.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is a midstream energy company that operates over 40 revenue-generating diversified assets. Meanwhile, it earns around 98% of its adjusted EBITDA from regulated assets or long-term contracts, thus delivering stable and predictable cash flows. Supported by these solid cash flows, the company has raised its dividend at a CAGR of above 10% since 1995. With a quarterly dividend of $0.86/share, its forward yield currently stands at 5.87%.

Amid the rising energy demand, Enbridge's asset utilization could rise, boosting its financials in the coming quarters. Further, the company expects to make a capital investment of around $10 billion from 2022 to 2025, growing its asset base. Supported by the favourable market conditions and its growth initiatives, the company's management expects its DCF/share to grow at a CAGR of 5-7%. So, it is well positioned to continue with its dividend growth.

Meanwhile, Enbridge has delivered impressive returns of over 22% this year, outperforming the broader equity markets. Despite the increase, the company still trades at an attractive NTM price-to-earnings multiple of 19.1, providing an excellent buying opportunity.

Algonquin Power & Utilities

Algonquin Power & Utilities (TSX:AQN)(NYSE:AQN) is a $17 billion utility company that serves around one million customers across North America. It also owns and operates several regulated renewable power-producing facilities, with the company selling the power through long-term agreements. Given its low-risk and regulated operations, the company's cash flows are robust, thus allowing it to raise its dividend uninterrupted for the last 12 years. Its forward yield currently stands at a healthy 5.16%.

Meanwhile, Algonquin Power & Utilities has completed the acquisition of Kentucky Power Company and New York American Water Company this year. The company expects to invest around $8 billion through 2026, expanding its asset base. These investments could increase its rate base while boosting its adjusted EPS at a 7-9% CAGR through 2026. So, given its growth prospects, I believe the company's dividend is safe.

Despite its growth prospects and attractive dividend yield, Algonquin Power & Utilities currently trades at an attractive NTM price-to-earnings multiple of 18.4, making it an attractive buy.

TransAlta Renewables

My final pick is **TransAlta Renewables** (TSX:RNW), which owns and operates 49 diverse power-generating facilities with a total capacity of 2,968 megawatts. Meanwhile, the company has signed long-term power-purchase agreements, with a weighted average contract life of 12 years. These long-term agreements shield the company's financials from price and volume fluctuations, thus generating stable and reliable cash flows. These stable cash flows help the company pay a monthly dividend at a healthier rate. Currently, its forward dividend yield stands at a juicy 5.36%.

Meanwhile, TransAlta Renewables is looking at expanding the Mount Keith transmission system, which could require a capital investment of AUD$50-AUD$53 million. The project could become operational in the second half of 2023 and add AUD$6-AUD$7 million of adjusted EBITDA annually. The company's project pipeline looks healthy, with around 2.9 gigawatts of projects still in the evaluation stage.

The company is also trading at an attractive NTM price-to-earnings multiple of 21.4. So, considering all these factors, I am bullish on TransAlta Renewables.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
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TICKERS GLOBAL

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

4. TSX:ENB (Enbridge Inc.)
5. TSX:RNW (TransAlta Renewables)

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rnanjapla