



## 3 Cheap Dividend Stocks to Buy Under \$20

### Description

The global equity markets bounced back last week, including the S&P/TSX Composite index, which rose by 0.9%. However, I believe the equity market to remain volatile in the near term amid concerns over the inverted yield curve, with the yield on two-year Treasury remaining higher than 10-year Treasury notes. Investors believe that an inverted yield curve indicates a recession on the horizon, thus making investors nervous. So, given the uncertain outlook, you can boost your passive income with these three cheap under-\$20 [dividend stocks](#).

### Pizza Pizza Royalty

First on my list is **Pizza Pizza Royalty** ([TSX:PZA](#)), which owns and operates Pizza Pizza and Pizza 73 brands. Given its highly franchised business, the company generates stable and predictable cash flows, thus allowing it to pay a dividend at a healthy rate. With a monthly dividend of \$0.0675/share, the company's dividend yield currently stands at a juicy 6.55%.

The easing of COVID-induced restrictions has allowed Pizza Pizza Royalty to reopen its dining spaces, thus driving its same-store sales. With the improvement in economic activities and rising contributions from digital channels, I expect the company to deliver strong performance in the coming quarters. The company has also restarted its restaurant expansion program, hoping to increase its restaurant count by 5% in 2022. So, I believe Pizza Pizza Royalty's dividend is safe.

Despite its healthy growth prospects and high dividend yield, the company trades at an NTM [price-to-earnings](#) multiple of 15.1, making it an attractive buy.

### TransAlta Renewables

**TransAlta Renewables** ([TSX:RNW](#)) has an economic interest in 49 diverse power-generating facilities with a combined power-generating capacity of 2,968 megawatts. Meanwhile, it sells most of the power through long-term PPAs (power-purchase agreements), with a weighted average contract expiry of 12 years. These long-term contracts shield the company's financials from price and volume fluctuations,

thus providing stability to its financials.

TransAlta Renewables has a solid developmental pipeline, with 2.9 gigawatts of power-generating facilities in the evaluation stage. Through an investment of AUD\$50-AUD\$53 million, the company is working on expanding its Mount Keith transmission system, which could contribute AUD\$6-AUD\$7 million to its adjusted EBITDA annually. So, I believe the company is well positioned to boost its cash flows in the coming years, thus allowing it to pay a dividend at a healthy rate. With a monthly dividend of \$0.07833, its forward yield stands at a juicy 5.58%.

Meanwhile, the company is trading 7.5% lower this year, while its NTM price-to-earnings multiple stands at 20.6. So, considering its attractive valuation, stable cash flows, and high dividend yield, I am bullish on TransAlta Renewables.

## Extendicare

My final pick is **Extendicare** ([TSX:EXE](#)), which provides long-term-care (LTC) and home healthcare services in Canada. The company recently sold 1,048 retirement living suites in Ontario and Saskatchewan for \$307.5 million to focus primarily on LTC and home healthcare segments.

Meanwhile, the demand for Extendicare's services is rising amid the aging population and growing income levels. To meet the rising demand, the company is strengthening its presence through 21 redevelopment projects, which could increase its LTC beds by 4,600. It is constructing a 256-bed home in Stittsville, Ottawa, and expects to close by the first quarter of 2024.

So, given the favourable environment and the company's growth initiatives, I believe Extendicare is well equipped to continue paying dividends at a healthier rate. With a monthly dividend of \$0.04/share, its forward yield stands at 6.72%. It trades at an NTM price-to-sales multiple of 0.4, making it an excellent buy in this volatile environment.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:EXE (Extendicare Inc.)
2. TSX:PZA (Pizza Pizza Royalty Corp.)
3. TSX:RNW (TransAlta Renewables)

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