3 Under-$25 Stocks With Dividend Yields Over 5%

Description

Yesterday, Statistics Canada reported that Canada's annual inflation rate rose 8.1% for June compared to 7.7% for May. The broad-based price rise, with seven of eight major components recording over 3% growth, drove inflation in June. Although the Bank of Canada raised its benchmark interest rates by 100 basis points this month, Tiff Macklem, the governor of the Bank of Canada, projects the inflation rate to remain higher for the rest of this year.

With rising prices eating into your pockets, investors can boost their passive income by investing in high-yield dividend stocks. Meanwhile, the following three dividend stocks are available for under $25 and pay of dividend yields over 5%, making them an excellent buy for income-seeking investors.

Algonquin Power & Utilities

First on my list is **Algonquin Power & Utilities** (TSX:AQN)(NYSE:AQN), which has been raising its dividend for the last 12 years at a CAGR of 10%. The company provides regulated electricity, water, and natural gas utility services to around one million customers across North America. It has about four gigawatts of renewable facilities in operational or developmental stages. It sells the power produced from these facilities through long-term agreements, thus reducing volatility in its financials.

To increase its utility and renewable asset base, the company has committed to invest a capital of $12.4 billion from 2022-2026. These investments could increase its rate base at an annualized growth rate of 14.6% while expanding its adjusted EPS at a rate of 7-9% annually. So, Algonquin Power & Utilities is well positioned to maintain its dividend growth. With a quarterly dividend of US$0.18/share, its forward yield currently stands at 5.46%.

However, amid the recent weakness, the company has lost around 15% of its stock value compared to its April highs. The pullback has also dragged its NTM price-to-earnings multiple down to 17.2, making it an excellent buy.

RioCan REIT

RioCan REIT (TSX:REI.UN) owns and operates 204 properties, with a total leasable area of approximately 36.2 million square feet, including 13 properties still in development. Amid the recovery in the retail market, the company's occupancy rate increased to 97% in the first quarter, while its collection rate came in at 99.1%. Supported by a higher occupancy rate and leasing of new properties, the company's FFO/unit increased by 33.3%.

Meanwhile, the uptrend could continue, given the favourable market and RioCan REIT's healthy pipeline of developmental projects. Amid the improvement in economic activities, grocers and pharmacies focus on expanding their presence, thus driving the demand for retail space. Meanwhile, RioCan REIT is currently developing 2.2 million square feet of projects of the 16.8 million square feet of permitted projects, which is encouraging. Its long-term agreements with tenants would reduce vacancies and deliver stable cash flows. So, I believe the company's dividend is safe.

Currently, RioCan REIT pays a monthly dividend of $0.085/share, with its forward yield at 5.07%. It is also trading at a healthy NTM price-to-earnings multiple of 11.6, making it an attractive buy.

TransAlta Renewables

TransAlta Renewables (TSX:RNW) operates a diverse portfolio of renewable and non-renewable power-generating facilities with a cumulative power-producing capacity of 2,968 megawatts. The rising transition towards clean energy could expand the addressable market for the company. Meanwhile, the company's project pipeline looks healthy, with several projects in the evaluation or construction stage.

Meanwhile, TransAlta Renewables has put in place long-term contracts to sell the power produced from its facilities, which would reduce fluctuations and deliver stable financials. The company also focuses on strategic acquisitions to drive growth. Since 2013, the company has completed acquisitions worth $3.4 billion. At the end of the first quarter, the company's liquidity stood at $900 million. So, it is well positioned to fund its growth initiatives.

Meanwhile, TransAlta Renewable currently pays a monthly dividend of $0.07833/share, with its forward yield at an attractive 5.56%. Considering its growth prospects, high dividend yield, and cheap NTM price-to-sales multiple of 20.7, I am bullish on the company.

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2. TSX:AQN (Algonquin Power & Utilities Corp.)
3. TSX:REI.UN (RioCan Real Estate Investment Trust)
4. TSX:RNW (TransAlta Renewables)

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