2 Cheap Canadian Dividend Stocks Yielding at Least 5%

Description

We invest in stocks to benefit from the appreciation in their price over time. However, we cannot neglect the option of earning dividend income along the way. Investing in stocks that offer growth and income significantly enhances your overall returns.

It's worth mentioning that adding a few top-quality dividend stocks adds stability to your portfolio, which is much needed given the uncertain economic environment. Against this background, here are two cheap Canadian stocks that offer dividend yields of 5% or more.

Algonquin Power & Utilities

Algonquin Power & Utilities (TSX:AQN)(NYSE:AQN) is an attractive stock for both growth and income investors. It has delivered total shareholder returns of approximately 101% in the last five years. It operates a low-risk business utility business that consistently delivers stellar earnings and cash flows to drive its shareholders' returns.

For context, Algonquin's adjusted net earnings have grown at a CAGR (compound annual growth rate) of 11.1% from 2017 to 2021. Meanwhile, its historical dividend has grown at a CAGR of 10% since 2010.

Algonquin's robust investment pipeline (US$12.4 billion capital plan from 2022 through 2026) will likely support its earnings base and drive its dividend and stock price. It projects its rate base to grow at a CAGR of 14.6% through 2026. Meanwhile, it expects its adjusted net earnings to increase at a CAGR of 7-9% during the same period.

Algonquin's solid business underpinned by rate-regulated assets, strong earnings-growth forecast, and high yield of 5.2% make it an attractive investment for growth and income.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) has consistently delivered stellar returns in the form of dividends and capital gains. Notably, Enbridge stock has increased by 57% in the three years. Meanwhile, it has enhanced its shareholders' returns through increased dividend payments (Enbridge has increased its dividend at a CAGR of 10% since 1995).

Its solid mix of conventional assets and continued investments in green energy positions it well to benefit from solid energy demand and favourable regulations. Further, a high asset utilization rate and strong cash flows will likely drive its future returns.

Enbridge has 40 diverse cash flow streams. Moreover, Enbridge's 80% EBITDA is protected against inflation. Further, contractual arrangements safeguard Enbridge against volume and price risks. It is focusing on expanding its conventional pipelines. Additionally, it is consistently growing its renewable power-generation capabilities.

Its multi-billion-dollar capital program, benefits from new assets placed into service, recovery in its mainline volumes, and strong backlogs provide a multi-year growth platform for Enbridge. Investors can earn a stellar dividend yield of 6.1% by investing in Enbridge stock at current price levels. Further, its dividend-payout ratio of 65% of its distributable cash flow is sustainable in the long run.

Bottom line

As capital gains and dividend income are tax-free in a TFSA (Tax-Free Savings Account), investors can leverage it to channel their funds into these stocks. On average, Enbridge and Algonquin Power offer a dividend yield of 5.7%. Thus, an investment of $25K in each of these stocks could help you earn a passive income of $2,875 a year or $235 monthly.

CATEGORY

1. Dividend Stocks
2. Investing

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.)

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