3 Canadian Dividend Stocks That Are Dirt Cheap Right Now

Description

On Wednesday, the Bank of England announced that it would buy long-dated government bonds from the United Kingdom to provide stability to financial markets and arrest the Pound's decline. The announcement was contrary to monetary tightening policies adopted by central banks worldwide to stem inflation, thus providing some relief to investors. So, the **S&P/TSX Composite Index** rose 1.86% yesterday.

However, the index is still down over 12% this year amid the selloff in broader equity markets over the last few weeks. The steep correction has even dragged quality stocks down, which are now trading at attractive valuations. For a long-term investor, here are my three top dividend picks.

TransAlta Renewables

Amid the outage at its Kent Hills wind site and weaknesses in the renewable energy space, **TransAlta Renewables** (TSX:RNW) has lost over 15% of its stock value this year. However, the company has continued to deliver solid financials, with its revenue and adjusted EBITDA (earnings before interest, tax, depreciation, and amortization) growing by 29.4% and 20.5% in the first six months of this year.

The growth was driven by capacity expansion including the commissioning of the Windrise Facility, the acquisition of an economic interest in the North Carolina Solar facility, and higher wind resources in Canada.

Besides, TransAlta Renewables' outlook is healthy as governments and businesses are slowly transitioning towards cleaner energy. The company's project pipeline looks solid, with several projects expected to become operational over the next two years. Also, its long-term PPAs (power purchase agreements) shield its financials from price and volume fluctuations, thus delivering stable cash flows and allowing the company to pay dividends at a healthier rate.

Currently, it pays a monthly dividend of $0.07833/share, with its yield at a juicy 6.19%. The company trades at 18.8 times its next four quarters projected earnings, which is cheaper than its historical average, making it even more attractive.

Keyera

Keyera (TSX:KEY) is another excellent dividend stock to add to your portfolio. The company operates a regulated midstream business, with around 70% of its cash flows generated from fee-for-service and take-or-pay contracts. Supported by these reliable cash flows, the company has increased its dividends at a compound annual growth rate (CAGR) of 7% since 2008.

Amid the ongoing geopolitical tensions and sanctions on Russia, the export of liquefied natural gas from North America to Europe has increased, which could benefit Keyera. Meanwhile, the company is progressing with the construction of the Key Access Pipeline System, which is 70% complete. Keyera's management expects to complete the project by early 2023.

The company continues to pursue other strategic growth opportunities, which could drive its EBITDA at a CAGR of 6-7% through 2025. So, the company's outlook is very optimistic.

Meanwhile, the cooldown in oil prices has caused Keyera's stock price to fall, which now trades around 20% lower than its June highs. The steep correction has dragged its NTM (next twelve months) price-to-earnings down to 12.1, while its dividend yield stands at an attractive 6.74%.

Pizza Pizza Royalty

My final pick would be **Pizza Pizza Royalty** (TSX:PZA), which has raised its dividends twice this year, with its yield currently at a handsome 6.37%. Amid the easing of pandemic-induced restrictions, the company has reopened its dining spaces and non-traditional restaurants, thus driving its sales.

The company's same-store sales grew by 20.3% in its June-ending quarter, while its royalty pool sales rose by 20.8%. This expansion of its royalty pool sales drove its adjusted EPS by 19.5%.

Meanwhile, Pizza Pizza Royalty is well-positioned to boost shareholder returns in the coming quarters, given its investment in strengthening digital and delivery channels. The company also focuses on the development of innovative products, creative marketing, and restaurant expansion to further drive sales. With its highly franchised business model, Pizza Pizza generates stable and reliable cash flows, meaning that its dividend payouts are relatively safe and secure.

The company is currently trading at a cheaper NTM price-to-earnings of 14.1. Given this stock's generous distribution yield and significant growth potential, it could be an excellent addition to your diversified portfolio.

CATEGORY

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TICKERS GLOBAL

1. TSX:KEY (Keyera Corp.)
2. TSX:PZA (Pizza Pizza Royalty Corp.)
3. TSX:RNW (TransAlta Renewables)

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