



3 Dividend Stocks That Are Dirt Cheap Right Now

Description

Dividend stocks are a must in a volatile environment as these stocks are less susceptible to market fluctuations. These stocks also help you earn stable passive income. So, given the uncertain outlook due to rising interest rates and high inflation, here are three top Canadian dividend stocks that you can buy right now. Supported by their solid underlying businesses and stable cash flows, these three stocks have consistently raised their dividends. Also, these stocks are trading at attractive valuations amid the recent volatility in equity markets.

Telus

First on my list would be **TELUS** ([TSX:T](#)), one of Canada's three top telecommunication players. Telecom companies produce stable cash flows due to their recurring revenue sources, thus allowing them to raise [dividends](#) consistently. Earlier this month, Telus raised its quarterly dividend by 7.2% to \$0.3511/share, marking its 23rd dividend hike since 2011. Its forward yield stands at a healthy 4.9%.

Meanwhile, Telus has continued its aggressive capital investment program by investing \$691 million in the first three quarters of this year. Supported by these investments and new customer additions, the company has delivered solid third-quarter performance. The telecom's operating revenue and adjusted net income grew by 9.3% and 20.2%, respectively. It also generated free cash flow of \$331 million, representing year-over-year growth of 63.1%.

The growing demand for telecommunication services and the company's continued investment in expanding its [5G](#) and broadband services could drive its growth in the coming years. Besides, Telus' management has planned to extend its multi-year dividend growth program until 2025. However, amid the recent pullback due to rising interest rates, the company has lost 16.7% of its stock value. T stock currently trades at an NTM (next 12 months) price-to-earnings of 21.3, making it an attractive buy.

TC Energy

TC Energy ([TSX:TRP](#)) would be another reliable dividend stock to have in your portfolio. It operates a

highly regulated midstream energy business, with around 95% of its adjusted EBITDA (earnings before interest, tax, depreciation, and amortization) generated from long-term contracts or regulated assets. So, the company's cash flows are stable and predictable, thus allowing it to raise dividends at a CAGR (compounded annual growth rate) of 7% for the last 22 years. Meanwhile, it currently offers a juicy forward dividend yield of 5.6%.

Despite economic headwinds, TC Energy has been resilient this year while growing its adjusted EBITDA by 3.5% during the first three quarters. The growing demand for its services across North America and a higher asset utilization rate drove its growth. The company is continuing with its \$34 billion secured capital program, with around \$2.6 billion invested in the September-ending quarter. Supported by these investments, management hopes to raise its dividends by 3-5% through 2025.

However, amid the recent volatility in the global equity markets, TC Energy has lost around 13% of its stock value from its recent highs. Also, its NTM price-to-earnings has declined to an attractive 15.2.

TransAlta Renewables

My final pick would be **TransAlta Renewables** ([TSX:RNW](#)). The [renewable energy](#) company, which operates or has an economic interest in over 50 power-producing facilities, sells its power through long-term PPAs (power-purchase agreements). These long-term agreements shield against price and volume fluctuations, thus delivering stable and predictable cash flows. Supported by these stable cash flows, the company pays a monthly dividend of \$0.07833/share, with its yield currently at 6.8%.

However, the independent power producer (IPP) has been under pressure this year, losing around 22% of its stock value due to its weak Q3 performance and weakness in the renewable energy space. Amid the outage at its Kent Hills wind farm, RNW's adjusted EBITDA declined by 13.7% during the third quarter. Despite its near-term weakness, the company's long-term growth prospects look healthy amid a growing transition towards cleaner energy. The IPP has also signed contract expansions and is working on boosting its power production. This increased production could drive its growth in the coming years. So, I am bullish on TransAlta Renewables despite its near-term weakness.

CATEGORY

1. Dividend Stocks

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2. TSX:TD (The Toronto-Dominion Bank)
3. TSX:TRP (TC Energy Corporation)

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Date

2025/08/12

Date Created

2022/11/23

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