



## 2 Oversold Dividend-Growth Stocks to Top Up Your RRSP

### Description

Finding value plays among Canada's top dividend stocks isn't easy right now.

Let's take a look at **Agrium Inc.** (TSX:AGU)(NYSE:AGU) and **TransCanada Corporation** ([TSX:TRP](#))([NYSE:TRP](#)) to see why they are contenders.

#### Agrium

Agrium just reported Q1 2016 net earnings of US\$2 million, or US\$0.02 per share. This is down from earnings of US\$12 million, or US\$0.08 per share, in the same period last year.

Weak fertilizer prices are primarily responsible for the ugly year-over-year results, and the overall trend on the wholesale side remains negative. However, the company is doing a good job of lowering operational costs to mitigate the damage, and there are signs the retail market could be starting to turn the corner.

The USDA estimates that U.S. growers will increase corn, soybean, and cotton crops by about six million acres in 2016. This, combined with the early arrival of the spring planting season, should boost nitrogen demand and bring forward applications for Agrium's crop-protection products.

So, the Q2 results might come in better than some analysts are expecting.

Despite the positive signs for the current quarter, Agrium still expects 2016 to be challenging and has reduced its 2016 earnings guidance to \$5.25-6.25 per share. The previous forecast was \$5.50-7.00 per share.

Why should you buy?

The fertilizer sector is weak right now, but the long-term fundamentals are strong and Agrium's integrated business model puts it in a great position to benefit when the market recovers. The company is also at the tail end of multi-year capital program, so cash flow that's available for dividend hikes should rise in the coming years.

The stock is down 13% in 2016 and currently trades at an attractive 12 times earnings. Investors can finally pick the name up at a reasonable price and get a safe 4.1% yield while they wait for better days.

## **TransCanada**

TransCanada had a rough 2015 as falling energy prices and President Obama's rejection of the Keystone XL pipeline scared investors out of the stock.

The sell-off started to get out of hand at the end of the year, and bargain hunters have since pushed the stock up about 25%, but more upside could be in the cards.

TransCanada has \$13 billion in other projects on the go, and those should be completed and in service by the end of 2018. As a result, revenue and cash flow are expected to grow enough to justify dividend increases of 8-10% through 2020.

The company's organic growth might slow down as a result of the energy rout, but TransCanada just announced plans to acquire U.S.-based Columbia Pipeline Group for US\$13 billion in a deal that gives the company a strategic foothold in the important Utica and Marcellus shale plays.

Keystone could come back to life if the Republicans win this year's election, and I think the Energy East pipeline in Canada has a good chance of getting the green light. The market isn't giving much value to these projects, and good news on either front could send the stock significantly higher.

TransCanada's dividend currently yields 4.4%.

## **CATEGORY**

1. Dividend Stocks
2. Energy Stocks
3. Investing

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1. Editor's Choice

## **TICKERS GLOBAL**

1. NYSE:TRP (Tc Energy)
2. TSX:TRP (TC Energy Corporation)

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