TFSA Investors: 2 Top Canadian Dividend Stocks With High Yields

Description

Canadian pensioners and other dividend investors are searching for top dividend stocks to add to their TFSA holdings. Despite the strong market rally, some good dividend stocks offering high yields still trade at fair prices.

BCE

BCE (TSX:BCE)(NYSE:BCE) just reported solid Q2 2021 results that show the company is rebounding from the pandemic. Operating revenue rose 6.4% compared to the same period last year and adjusted EBITDA increased 6.2%.

On a business unit basis, wireless operating revenue increased 10.7%. Wireline operating revenue slipped 1.3%, and media revenue surged 30.4%, reflecting the recovery in advertising spending across the full spectrum of BCE's media platforms. Interestingly, digital revenue now accounts for nearly 20% of total revenue in the media group.

BCE's balance sheet remains strong with $5.3 billion in available liquidity. The company is on track to hit its 2021 financial targets, even after a $500 million boost to capital spending in the wake of the CRTC decision to cancel planned price cuts on wholesale internet rates.

BCE is ramping up 5G network investments and continues to roll out its fibre-to-the-premises program. These initiatives will help drive future revenue growth while fortifying BCE's strong competitive position in the Canadian communications market.

The stock jumped on the solid Q2 results. At the time of writing, BCE trades near $63 per share and offers a 5.5% dividend yield. Investors should receive steady annual dividend growth of around 5% over the medium term, and it wouldn't be a surprise to see the share price drift up to $70 by the end of next year, supported by improved roaming fees and the ongoing recovery in the media business.

Canadian Natural Resources

Canadian Natural Resources (TSX:CNQ)(NYSE:CNQ) is a giant in the Canadian energy sector with a market capitalization of nearly $50 billion and arguably the best portfolio of oil and gas assets in the industry. CNRL is somewhat unique in that it has production across the full spectrum of the hydrocarbon products, including oil sands, heavy oil, light oil, gas liquids, and natural gas. The company maintains a very strong balance sheet and has the flexibility to move capital quickly to take advantage of changes in the commodities markets.

Oil and natural gas prices are at very profitable levels for the company right now, and the strong market conditions are expected to continue for the next few years. The company is generating significant free cash flow and raised the dividend by 11% for 2021. Investors should see another generous increase to the payout next year.

The stock trades just under $41 per share at the time of writing. That's down from the 2021 high around $46. Investors who buy at the current level can pick up a 4.6% dividend yield with good distribution growth on the horizon. The market might not fully appreciate the quality of the resource base, especially CNRL's leading position in the Canadian natural gas sector. The stock still looks undervalued, even after the strong recovery off the 2020 lows.

The bottom line on top TFSA dividend stocks

BCE and CNRL are leaders in their respective industries with strong balance sheets and generous dividends that should continue to grow. The stocks look attractive right now and offer TFSA investors above-average dividend yields for an income or retirement portfolio.

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