2 Cheap Canadian Dividend Stocks to Buy in August 2021

Description

Investors can still find cheap dividend stocks to buy for their TFSA or RRSP portfolios as we head into the last few months of 2021.

TC Energy

TC Energy (TSX:TRP)(NYSE:TRP) has $100 billion in assets located in Canada, the United States, and Mexico. The energy infrastructure giant is an important provider of services to energy companies that need to get their oil, natural gas, and gas liquids to storage facilities, refineries, or utility customers.

In addition to the pipeline network, TC Energy also owns natural gas storage sites and power-generation facilities. The balanced revenue stream is one reason the company made it through 2020 in good shape. Looking ahead, TC Energy's large capital program and strategic assets position the business for solid future growth.

TC Energy is working through $21 billion in projects that management says will help drive revenue and cash flow growth to support annual dividend increases of 5-7%. That's good news for income investors or those who use dividends to buy new shares as part of their retirement plan.

At the time of writing, TC Energy trades for close to $61 per share and offers a 5.7% dividend yield. The board has increased the payout steadily for the past two decades, so the guidance on future hikes should be solid. TC Energy traded for $75 per share before the pandemic. Now that the energy sector is in recovery mode, investors should start to move back into the infrastructure plays in a more aggressive manner. A recent announcement that the firm intends to build a carbon sequestration network could help attract institutional investors that now have ESG targets as part of their investing mandates.

Given the quality of the revenue stream and the growth outlook, TC Energy's stock price appears undervalued right now.

Canadian Natural Resources

Canadian Natural Resources (TSX:CNQ)(NYSE:CNQ) just reported strong Q2 2021 results. The Canadian oil and gas producer generated $3 billion in funds flow from operations in the quarter and $1.5 billion in free cash flow after the payment of dividends and capital investments. In short, the rebound in oil and natural gas prices in 2021 has turned CNRL into a cash machine. CNRL is now targeting up to $7.7 billion in free cash flow this year, assuming an average WTI oil price of US$66 per barrel.

In the first half of the year, the company reduced net debt by more than $3 billion and continues to reward shareholders through a combination of dividend increases and share buybacks. The board raised the distribution by 11% for 2021.

Management continues to look for strategic acquisitions to complement the existing portfolio. Three deals have already occurred this year, and more could be on the way as the industry consolidates. CNRL's size and strong balance sheet give it the flexibility to pursue large assets when attractive opportunities arise.

The stock trades near $42 at the time of writing compared to the 2021 high around $46 per share. Investors who buy now can pick up a solid 4.5% dividend yield and should see decent upside in the share price over the next 12 months.

The bottom line on cheap dividend stocks

TC Energy and CNRL are leaders in their respective sectors and pay attractive dividends that should continue to grow at a healthy pace. Both stocks look cheap right now, and investors have an opportunity to lock in good yields and wait for the next dividend increases.

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Date
2025/08/24
Date Created
2021/08/09
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