2 Top TSX Dividend Stocks That Still Look Undervalued

Description

Canadian investors searching for top TSX dividend stocks to put in their TFSA or RRSP portfolios can still find cheap stocks to buy in the current market.

TC Energy

TC Energy (TSX:TRP)(NYSE:TRP) finally abandoned its long-troubled Keystone XL project after President Biden revoked a presidential permit for the project. Investors anticipated the move and are probably relieved that the management team can finally reallocate time and resources toward other projects.

TC Energy still has $21 billion in development initiatives on the go and continues to evaluate additional opportunities. The company recently announced a partnership with **Pembina Pipeline** to develop a carbon-sequestration facility that would help Canadian oil producers meet their ESG targets over the coming years, as they strive to hit net-zero emissions by 2050.

With a market capitalization of $61 billion, TC Energy has the financial clout to make large acquisitions. The energy infrastructure industry will continue to consolidate in the coming years, as existing pipeline networks become more valuable.

TC Energy is also positioned well to benefit from the anticipated growth in natural gas demand. It already has more than 90,000 km of natural gas pipelines running across Canada, the United States, and Mexico.

The company expects the capital program to drive enough revenue and cash flow growth to support annual dividend increases of 5-7% over the medium term. That’s solid guidance for dividend investors who rely on sustainable and growing distributions. The share price is down from $75 before the pandemic to $62 at the time of writing. Investors who buy TC Energy stock at this level can pick up a 5.6% dividend yield.

Bank of Nova Scotia

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) is up about 15% this year, but it has underperformed most of its peers. The reason for the lag in returns could be due to the large Latin American operations. Bank of Nova Scotia invested billions of dollars over the past decade to purchase banks and credit card portfolios in Mexico, Peru, Chile, and Colombia. This might seem like an odd strategy for a Canadian bank, but a closer look at these markets gives a hint as to why Bank of Nova Scotia sees opportunities.

The four countries are part of the Pacific Alliance trade block that is home to more than 230 million consumers. Bank penetration is very low in these countries, so there is huge growth potential for banking products as the middle class expands. The bank is also positioned well to provide cash management and other services to businesses that are taking advantage of the rules that enable the free movement of goods, capital, and labour among the Pacific Alliance members.

Bank of Nova Scotia trades near $77.50 per share at the time of writing compared to the 2021 high above $82. Investors who buy the stock at the current price can pick up a 4.6% dividend yield.

The Canadian banks put dividend increases on hold last year due to a government directive, but distribution hikes should resume in the coming quarters. Bank of Nova Scotia is sitting on excess cash and could boost the payout by double digits when the banks get the green light to restart dividend increases.

The bottom line on top TSX dividend stocks

TC Energy and Bank of Nova Scotia are top Canadian dividend stocks that look cheap right now and offer above-average yields. If you have some cash to put to work in a buy-and-hold TFSA or RRSP portfolio, these stocks deserve to be on your radar.

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