



2 Cheap High-Yield TSX Stocks to Buy Now for Steady Passive Income

Description

Retirees and other investors seeking passive income are searching for top **TSX** [dividend stocks](#) that are undervalued and offer high yields.

Algonquin Power

Algonquin Power ([TSX:AQN](#))([NYSE:AQN](#)) trades near \$17.50 per share at the time of writing and provides investors with a 4.9% dividend yield.

The stock is at its lowest point of 2021, down from \$22.50 in February when the renewables sector caught a nice tailwind.

What's going on?

The drop in recent weeks is due to the company's latest acquisition. Algonquin Power announced a plan to acquire Kentucky Power for US\$2.85 billion. The deal will add 228,000 active customer connections, boosting Algonquin Power's customer base by 19%. Algonquin Power's regulated rate base will increase by 32% to US\$9 billion and expand the distribution and transmission infrastructure by 37%.

In short, the acquisition is significant for the company and the market has some concerns regarding Algonquin Power's financing of the deal.

The company sold \$800 million in new stock through a bought deal at \$18.15 per share. It also secured a US\$2.725 billion syndicated acquisition financing commitment, but that is simply a short-term loan until Algonquin Power secures other funds to cover the purchase. In the Q3 2021 earnings report, Algonquin Power said it is considering a combination of non-core assets sales, a share issue, and hybrid debt to pay for the acquisition.

Investors want to see how Algonquin Power will finally come up with the rest of the funds while protecting the company's investment-grade credit rating and avoiding excessive shareholder dilution.

Near-term volatility should be expected, but the deal looks positive for Algonquin Power and its investors in the long run. Management says Kentucky Power will be accretive to earnings per share in the first full year after closing, which is expected in the middle of 2022, and generates adjusted net earnings per share accretion of roughly 5% afterward.

At the current share price, Algonquin Power appears [oversold](#). The company has a strong track record of dividend growth and that should continue.

TC Energy

TC Energy ([TSX:TRP](#))([NYSE:TRP](#)) trades near \$61 per share at the time of writing compared to the 2021 high of around \$68. Investors who buy the stock now can pick up a 5.7% dividend yield.

TC Energy's Coastal GasLink pipeline is the likely cause of the pullback in the share price. The company is facing rising costs and construction delays due to the pandemic, permit delays and scope changes. Recent protests have also impacted construction. TC Energy is working through a dispute with LNG Canada about responsibility for the rising costs and has committed up to \$3.3 billion in bridge financing to keep the project going.

The issues will get resolved and Coastal GasLink expects the incremental costs to be included in the final pipeline tolls.

TC Energy reduced its anticipated dividend-growth guidance from 5-7% to 3-5% when it reported Q3 2021 earnings. That's a disappointment for investors, but the dividend growth prospects are still solid.

The bottom line on top high-yield stocks for passive income

Algonquin Power and TC Energy pay attractive dividends that should continue to grow in the coming years. If you have some cash to put to work in a portfolio focused on passive income these stocks appear undervalued today.

CATEGORY

1. Dividend Stocks
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2. NYSE:TRP (Tc Energy)
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