



## Retirees: 2 Oversold Dividend Stocks for High-Yield Passive Income

### Description

Canadian pensioners and other income investors are searching for top TSX dividend stocks to add to their self-directed [TFSA](#) portfolios.

### Pembina Pipeline

**Pembina Pipeline** ([TSX:PPL](#))([NYSE:PBA](#)) trades near \$37.50 per share at the time of writing and provides a 6.7% dividend yield. The stock is off the 2021 high of \$43 and well below the pre-pandemic price of \$53 per share.

Pembina Pipeline just released its financial guidance for 2022. Adjusted EBITDA is expected to be \$3.35 to \$3.55 billion, and the company plans to invest \$655 million on capital projects. Pembina Pipeline is on track to hit its 2021 EBITDA guidance of \$3.3-\$3.4 billion, so investors should feel confident the company will reach its 2022 goals.

The energy sector continues to rebound from the 2020 hit. Producer balance sheets are strong due to the windfall of profits in 2021 and investments in production growth are expected in the next few years to capitalize on rising oil and natural gas demand. This should be good news for Pembina Pipeline. The company provides a wide array of midstream services to the oil and gas producers.

Pembina Pipeline has a \$5 billion portfolio of deferred and potential capital projects under consideration. As the energy sector moves through its recovery phase, shareholders should see investment ramp up to drive future growth.

In 2022, Pembina Pipeline expects cash flow from operations to exceed dividends and capital expenditures, so the distribution should be safe. In addition, management intends to use up to \$200 million in excess cash to buy back shares.

The stock looks [undervalued](#) at the current share price, and it wouldn't be a surprise to see Pembina Pipeline become a takeover target in the next few years. Consolidation in the energy infrastructure sector is expected to continue and Pembina could be an attractive addition for one of the larger

players. The company might also draw the attention of alternative asset managers seeking reliable and above-average returns.

## TransAlta Renewables

**TransAlta Renewables** ([TSX:RNW](#)) owns and operates a large portfolio of renewable energy assets. Wind farms, hydroelectric facilities, solar facilities, and gas-fired power plants make up the majority of the businesses that are located in Canada, the United States, and Australia.

TransAlta Renewables is also building hybrid solar-battery storage facilities.

The stock trades near \$18.70 per share at the time of writing compared to the 2021 high near \$24.50. The broader renewables sector is down this year after a strong start to 2021. TransAlta Renewables also ran into some operational issues in recent months that have extended the weakness in the shares. The company had unplanned downtime at a gas-fired power station and was forced to shut down a wind farm in New Brunswick, as it repairs foundations for the towers.

The result is lower revenue than expected from the assets in 2021 and 2022, but the problems are being resolved, and the pullback in the share price appears overdone.

Investors who buy the stock at the current price can pick up a 5% dividend yield.

## The bottom line on cheap stocks to buy for TFSA income

Pembina Pipeline and TransAlta Renewables pay attractive dividends that offer above-average yields for retirees seeking investment income. The stocks appear undervalued right now in an otherwise expensive market. If you have some cash to put to work in a TFSA dividend fund, these stocks deserve to be on your radar.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:PBA (Pembina Pipeline Corporation)
2. TSX:PPL (Pembina Pipeline Corporation)
3. TSX:RNW (TransAlta Renewables)

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