RRSP Investors: 2 Cheap TSX Dividend Stocks to Buy Now

Description

The 2022 RRSP deadline is March 1. Investors are now searching for undervalued TSX dividend stocks to add to their self-directed retirement portfolios.

Algonquin Power

Algonquin Power (TSX:AQN)(NYSE:AQN) trades for close to $18 per share at the time of writing compared to the 12-month high above $22.50. Investors who buy the stock at the current price can pick up a solid 4.8% dividend yield and wait for the next rebound.

Algonquin Power is working through a large acquisition that will significantly increase the size of the company's client base, rate base, and power transmission infrastructure. The addition of Kentucky Power to the asset portfolio will be accretive to earnings in the first full year after the deal closes.

The market is taking a wait-and-see approach on the stock until there is more clarity on how Algonquin Power will finance the full US$2.85 billion purchase price. Algonquin Power already raised $800 million through a bought-deal stock sale and could use a combination of non-core asset sales, hybrid debt, and another equity sale to cover the rest of the purchase. The company has a strong track record of making successful acquisitions.

Algonquin Power has a US$12.4 billion capital program in place for 2022 to 2026. Management expects adjusted net earnings per share to grow by a compound annual rate of 7-9% through 2026. Investors should see dividend growth in the same range.

Algonquin Power raised the dividend by 10% per year over the past decade.

Canadian Natural Resources

Canadian Natural Resources (TSX:CNQ)(NYSE:CNQ) is a giant in the Canadian oil and gas industry with a market capitalization of $64 billion. The company has a broad resource portfolio that includes oil sands, conventional heavy oil, conventional light oil, offshore oil, and natural gas production.

A strong rebound in oil and natural gas prices in 2021 helped CNRL pay down debt, buy back stock, and raise the dividend. CNRL saw production increase by 11% in Q3 compared to the same quarter in 2020. The business generated adjusted net earnings of $2.1 billion in the quarter, and CNRL reduced net debt by $2.3 billion.

CNRL raised the dividend by 25% when it announced the Q3 results. This marks the 22nd consecutive annual dividend increase and is above the company's average compound annual dividend-growth rate of 20%. The fact that CNRL was able to increase its dividend during 2020 and through the challenging years when oil crashed after the financial crisis is a sign of the quality of the company's business.

The stock has enjoyed a nice run off the 2020 lows, but still appears cheap at 11.2 times trailing 12-month earnings. WTI oil is now back up to US$78 per barrel, and futures contracts are holding above US$70 through 2022.

Analysts see strong oil and natural gas demand growth continuing for the next few years, as the global economy extends its recovery.

CNQ stock currently provides a 4.2% dividend yield. With oil prices back near US$80 it wouldn't be a surprise to see CNRL hike the payout again in the first half of 2022.

The bottom line on cheap stocks to buy for a retirement portfolio

Algonquin Power and CNRL appear cheap right now and pay attractive dividends that should continue to grow for years. If you have some cash to put to work in your RRSP in 2022, these stocks deserve to be on your radar.

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2. NYSE:CNQ (Canadian Natural Resources)
3. TSX:AQN (Algonquin Power & Utilities Corp.)
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