3 Incredibly Cheap TSX Stocks to Buy for Passive Income

Description

2022 is expected to be a volatile year for **TSX** stocks. As a result, it is never a bad time to balance out your return profile with some passive income. Dividend stocks help provide a nice stream of cash through the market's ups and downs. If you are lucky, you can buy dividend stocks on the cheap and also enjoy substantial capital returns. Here are three incredibly cheap TSX stocks you can buy today for solid passive income and attractive long-term capital upside.

An undervalued TSX energy stock

Energy stocks are an interesting play on rising inflation. One TSX stock that looks attractive today is **ARC Resources** (TSX:ARX). Over 60% of its production is from natural gas and the remaining is a mix of crude oil and NGLs. Countries across the globe are facing an energy crunch, which has been driving elevated natural gas and oil prices.

Currently, ARC is producing significant free cash flow. Its stock has a near 18% free cash flow yield, which is near the highest amongst peers. This excess cash should help support modest production growth, share buybacks, debt-reduction initiatives, and strong dividend growth in 2022. Right now, ARC pays a quarterly dividend worth $0.10 per share. That was recently increased by 52%.

This TSX stock has a forward price-to-earnings ratio of only six times. That is a substantial discount to peers. If energy prices remain elevated, it could be due for a valuation rerating. Its stock is yielding 3.3%. Combined, it has a very attractive total-return profile for 2022 and potentially beyond.

An infrastructure stock with an outsized dividend

For a large up-front dividend yield, **Enbridge** (TSX:ENB)(NYSE:ENB) is an attractive TSX stock. Every quarter, it pays an $0.86 dividend per share. That is equal to a 6.7% dividend yield. If you invested $5,000 in Enbridge, you would collect around $335 in dividends every year.

Last year, Enbridge brought nearly $10 billion of new assets into service. This should help give a nice boost to cash flows per share in 2022. Enbridge is re-focusing operations for the green-energy transition. A majority of new investments are focused on natural gas transmission and distribution as well as renewable power and alternative fuel infrastructure.

The market doesn’t seem to appreciate its ability to pivot for a green future. Consequently, investors can buy this stock at a relatively attractive valuation today. For mid-single-digit dividend growth and a recovery in sentiment, Enbridge looks like a good stock to buy and hold for the next few years.

A cheap TSX renewable stock

Speaking about the energy transition, you won’t find a TSX stock better positioned than **Brookfield Renewable Partners** (TSX:BEP.UN)(NYSE:BEP). It is one of the largest pure-play renewable power stocks in the world. It operates a huge portfolio of hydro, wind, solar, battery, and distributed generation assets across the globe. Right now, Brookfield is targeting to more than double the size of its portfolio over the decade.

This TSX stock is down nearly 30% in the past year. The large decline is presenting an attractive opportunity to buy a premium renewable stock for a reasonable valuation. It only trades with enterprise value-to-EBITDA ratio of 15. Given the potential for strong forward growth, this seems like a very attractive valuation entry point.

Likewise, Brookfield is paying an attractive 3.7% dividend yield. Brookfield has a strong history of growing that dividend by around 5% a year. For a stock with a major long-term growth tailwind and a decent dividend, Brookfield looks like a top passive-income buy today.

CATEGORY

1. Dividend Stocks
2. Investing

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2. NYSE:ENB (Enbridge Inc.)
3. TSX:ARX (ARC Resources Ltd.)
4. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
5. TSX:ENB (Enbridge Inc.)

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robbybrown