



2 Top TSX Dividend Stocks to Buy Now

Description

The market pullback is finally giving [TFSA and RRSP](#) investors a chance to buy top TSX dividend stocks at [undervalued](#) prices.

Suncor

Suncor ([TSX:SU](#))([NYSE:SU](#)) trades near \$33 per share at the time of writing compared to the recent high around \$36 and the pre-pandemic price of \$44.

The company took a big hit in 2020 when fuel demand dropped and oil prices plunged. The worldwide travel restrictions and work-from-home orders hit Suncor's refining and retail operations, as planes remained grounded and commuters left their cars in the garage. The resulting crash in the price of oil hammered Suncor's production business.

As a result, the company made the difficult decision to cut the dividend by 55%. This shocked loyal income investors who thought the payout would be safe. Suncor didn't touch the dividend during the Great Recession or during the previous oil crash.

The situation improved significantly in 2021 with oil prices soaring and fuel demand recovering most of the 2020 losses. Suncor used the cash windfall to pay down debt and buy back stock. The board then raised the dividend by 100% to the 2019 level. The stock has moved higher since then, but it still appears cheap, especially when compared with the moves of its peers.

WTI oil is now comfortably above US\$80 per barrel, and analysts are increasingly calling for a move to US\$100 in the next two years. Suncor will likely maintain its aggressive share-buyback program in 2022, and it wouldn't be a surprise to see another large dividend increase in the coming months.

Investors who buy Suncor stock now can pick up a 5% dividend yield.

Power Corp

Power Corp ([TSX:POW](#)) is a holding company that primarily owns insurance and wealth management businesses in Canada. It is also part owner of another holding company that invests in several of Europe's top international corporations.

In addition, Power Corp has groups that invest in new firms with potential to be large disruptors in their respective [sectors](#). Through its subsidiaries, Power Corp owns a majority position in WealtheSimple, a Canadian fintech player. On the EV front, Power Corp has a stake in **Lion Electric**, a Canadian maker of electric busses.

Power Corp stock is a good buy for investors who want to get exposure to a portfolio of Canadian financial businesses without the housing risks that come with owning the big banks. The insurance industry should benefit as interest rates rise and Power Corp's wealth management holdings generate strong cash flow and profits.

Power Corp raised the dividend by 10.6% late last year. The current quarterly distribution of \$0.495 per share provides an annualized yield of 5% at the time of writing.

Based on Power Corp's own calculation, the stock trades at a meaningful discount to the sum of its parts. At \$40 per share, it is now down 10% from the 12-month high.

The bottom line on top Canadian dividend stocks to buy now

Suncor and Power Corp pay attractive and growing dividends that offer above-average yields. The stock prices appear cheap right now and could deliver big gains by the end of the year. If you have some cash to put to work in a TFSA or RRSP focused on dividends, these stocks deserve to be on your radar today.

CATEGORY

1. Dividend Stocks
2. Investing

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2. TSX:POW (Power Corporation of Canada)
3. TSX:SU (Suncor Energy Inc.)

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