



New TFSA Investors: 2 Top Undervalued Dividend Stocks to Buy Now

Description

Retirees and other [TFSA](#) investors seeking passive income are searching for quality dividend stocks paying attractive distributions that will continue to grow at a steady pace in the coming years.

Canadian Natural Resources

CNRL ([TSX:CNQ](#))([NYSE:CNQ](#)) trades at close to \$80 per share at the time of writing compared to the 2020 low around \$12. The rebound in oil and natural gas prices has driven the shares up considerably, but CNRL still looks cheap when you consider how profitable the company is in the current energy market. CNRL trades at just 12 times trailing earnings right now.

Oil prices are down from the 2022 highs but remain at levels that enable CNRL to generate significant revenue and free cash flow. CNRL is also a major producer of natural gas and has extensive natural gas resources it can access in the coming years. Europe is seeking safe, long-term natural gas supplies from North America to end its reliance on Russia. At the same time, countries around the globe are using natural gas to replace coal and oil as fuel to generate power. The result should be strong demand for Canadian liquified natural gas (LNG) in the coming years.

Investors are seeing the benefits of the rebound through higher dividends and share buybacks. CNRL raised the distribution by 38% in 2021 and increased the dividend by another 28% for 2022. The company is also repurchasing up to 10% of its outstanding stock under the current share-repurchase program.

Investors who buy now can pick up a 3.8% dividend yield.

Bank of Nova Scotia

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) raised its dividend by 11% late last year, and another generous payout increase is likely on the way for 2023. The board also recently increase the number of shares the company can buy back under the current repurchase program.

Bank of Nova Scotia should see a continued rebound in the international operations in 2022. The company invested billions of dollars over the past decade to build a strong presence in Mexico, Peru, Chile, and Colombia. The four countries have a combined population of more than 230 million and are members of the Pacific Alliance trade bloc that allows the free movement of labour, goods, and capital.

Bank of Nova Scotia has attractive long-term growth potential in the international division, and that should outweigh the risks that come with doing business in these countries that have experienced bouts of economic and political volatility.

The new bank tax announced by the Canadian government in the 2022 budget will put a small dent in cash flow available for shareholders, but the overall long-term impact should be limited.

Bank of Nova Scotia's share price is down to \$87.50 at the time of writing from the 2022 high of \$95. The pullback appears overdone, and investors can now pick up a solid 4.5% dividend yield.

The bottom line on top dividend stocks to buy now

CNRL and Bank of Nova Scotia are top dividend payers that should provide attractive payout growth in the coming years. If you have some cash to put to work in a diversified TFSA focused on passive income, these stocks deserve to be on your radar.

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2. Investing

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Author

aswalker

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