2 Cheap TSX Dividend Stocks for RRSP Investors

Description

The recent pullback in the market offers RRSP investors a chance to buy some quality dividend stocks at undervalued prices.

Algonquin Power

Algonquin Power (TSX:AQN)(NYSE:AQN) is a Canadian utility and renewable energy company with assets primarily located in the United States.

The utility operations include electricity, water, and natural gas distribution businesses that provide more than one million customers with essential water, power, and fuel. These are regulated assets that generate predictable and reliable revenue streams.

The renewable energy group has wind, solar, hydroelectric and thermal power-generation facilities with four gigawatts of renewable power capacity that is either in operation or under development.

Algonquin Power reported solid Q1 2022 results. Revenue rose 16% compared to the same period last year to US$735.7 million. Adjusted EBITDA increased 17% and adjusted net earnings rose 13% compared to Q1 2021.

The board declared a 6% dividend increase, even as the company works to close a large acquisition.

Algonquin Power is in the process of buying Kentucky Power for US$2.85 billion. The deal will increase the regulated rate base by 32% to US$9 billion. The customer base will grow by 19% to more than 1.4 million and the business mix will become about 80% regulated operations with the other 20% being non-regulated renewables power generation.

This is important for RRSP investors to consider when evaluating the stock. Algonquin Power's share price took a hit last year amid the broader selloff in the renewable energy sector. It still has renewable energy assets, but the addition of Kentucky Power largely shifts Algonquin Power into the regulated utility class of companies. Those stocks have done very well in the past 12 months.

Algonquin Power has a great track record of dividend growth, and management is good at successfully integrating new acquisitions. The stock looks undervalued today at $18.50 on the TSX. It was as high as $22 in early 2021.

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

Manulife

Manulife (TSX:MFC)(NYSE:MFC) trades near $23.50 per share at the time of writing compared to the 2022 high around $28. The stock fell along with the broader pullback in financial stocks in recent months and has also come under pressure after Q1 2022 results showed some weak numbers.

Manulife operates insurance, wealth management, and asset management businesses primarily in Canada, the United States, and Asia. The American insurance businesses saw health and death claims increase in the quarter as the omicron variant hit the country. Asia also had a bad quarter due to surging COVID-19 cases that increased claims on policies and reduced sales due to lockdowns. These are short-term issues, and the worst of the COVID-19 impact on the business should be in the rearview mirror.

Looking ahead, rising interest rates bode well for Manulife's bottom line. The company can get better returns on the cash it has to set aside to cover potential claims. Long-term growth potential in Asia should drive future profit gains and share price appreciation.

Manulife stock looks cheap at the current level and provides a 5.6% dividend yield.

The bottom line on top RRSP stocks

Algonquin Power and Manulife pay attractive dividends that should continue to grow. If you have some cash to put to work in a self-directed RRSP, these stocks deserve to be on your radar.

CATEGORY

1. Dividend Stocks
2. Investing

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2. NYSE:MFC (Manulife Financial Corporation)
3. TSX:AQN (Algonquin Power & Utilities Corp.)
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