2 Oversold TSX Dividend Stocks to Buy on the Dip

Description

The market correction is now impacting all sectors in the **TSX Index**, but some top dividend stocks now appear undervalued and should deliver attractive total returns for patient investors.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) is a Canadian utility company with $58 billion in assets spread out across Canada, the United States, and the Caribbean. The businesses get 99% of their revenue from regulated assets, so cash flow should be relatively predictable and reliable. Homeowners and companies need to keep the lights on, heat water, and warm or cool the building regardless of the state of the economy.

Fortis grows through a combination of strategic acquisitions and internal development projects. Management hasn't done a large deal for several years, so it wouldn't be a surprise to see Fortis announce a new takeover in the medium term, as the utility sector consolidates. On the development side, Fortis is working on a $20 billion capital program that will boost the asset base by about a third through 2026. As a result, management is providing guidance for average annual dividend growth of 6% until at least the end of 2025. That's the kind of stability TFSA and RRSP investors are looking for right now with so much economic uncertainty on the horizon.

Fortis increased the payout in each of the past 48 years, so there shouldn't be any reason to doubt the dividend outlook.

Fortis trades near $58 per share at the time of writing compared to $65 last month. The pullback looks overdone, and investors can now pick up a 3.7% dividend yield.

Pembina Pipeline

Pembina Pipeline (TSX:PPL)(NYSE:PBA) is key player in the midstream segment of the Canadian oil and natural gas sector with pipelines, gas gathering, gas processing, and logistics operations that help oil and natural gas producers move their products to customers. Pembina Pipeline also has a propane export terminal and is evaluating carbon sequestration and LNG opportunities.

The business has grown considerably over the past 65 years through acquisitions and capital programs. Pembina Pipeline should benefit from the continued rebound in the energy sector as producers begin to shift more capital to boost production. Canadian oil and natural gas is in high demand, as the world searches for reliable sources of the commodities.

Pembina Pipeline pays its dividend monthly. This makes the stock attractive for retirees and other investors seeking steady passive income for a TFSA portfolio. The share price is now below $46 from the 2022 high around $53.50. Investors who buy at the current price can secure a solid 5.5% dividend yield.

It wouldn’t be a surprise to see Pembina Pipeline become a takeover target in the next few years. The business could be attractive for one of the energy infrastructure giants or even an alternative asset management firm.

The bottom line on top dividend stocks

Fortis and Pembina Pipeline appear undervalued right now and pay attractive dividends. If you have some cash to put to work in a TFSA or RRSP focused on income or total returns, these stocks deserve to be on your radar.

CATEGORY

1. Dividend Stocks
2. Investing

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2. NYSE:PBA (Pembina Pipeline Corporation)
3. TSX:FTS (Fortis Inc.)
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