2 Undervalued TSX Dividend Stocks to Buy in July

Description

The market correction is giving Canadian investors a chance to buy undervalued dividend stocks that could deliver attractive total returns through the second half of 2022 and into next year.

Barrick Gold

Barrick Gold (TSX:ABX)(NYSE:GOLD) trades near $24 per share on the TSX at the time of writing. This is down from the $33.50 high it hit earlier this year when gold briefly soared above US$2,000 per ounce. The price of gold currently trades around US$1,825 per ounce, which is still a very profitable level for Barrick Gold.

The company has a strong balance sheet after a multi-year turnaround effort that eliminated US$13 billion in net debt and streamlined operations. Barrick Gold is now focused on projects that meet a strict minimum return on investment and is committed to generating free cash flow to put in the pockets of its investors.

Barrick Gold raised the base quarterly dividend by 11% this year to US$0.10 per share. The company is also giving investors a quarterly bonus payout of up to US$0.15 per share determined by the net cash position at the end of each quarter. For the Q1 2022 results, investors received an extra US$0.10 per share.

If that payout trend continues, the US$0.80 per share on an annualized basis would provide a yield of better than 4% at the current share price.

The price of gold could catch a tailwind in the back half of 2022, as investors bail out of cryptocurrencies and search for safe-haven assets that will protect value and buying power during the era of high inflation and through a potential recession.

BCE

BCE (TSX:BCE)(NYSE:BCE) should be a solid defensive pick for a TFSA or RRSP portfolio for the rest of 2022 and 2023, as ongoing uncertainty adds volatility to the the equity markets.

BCE has the power to raise prices for its internet and mobile communication services as its costs increase. This should protect margins and profits. At the same time, BCE has the financial clout to make the investments needed to protect its wide competitive moat and drive revenue growth in the coming years.

BCE is building out its 5G network after spending $2 billion last year in the auction for 3,500 MHz spectrum. BCE is also expanding its fibre-to-the-premises program that connects high speed lines right to homes and offices of its customers.

Revenue growth remains steady, and BCE expects free cash flow to increase by 2-10% in 2022. Rising interest rates will make borrowing for capital projects more expensive, but they will also help BCE generate better returns on cash held in its pension fund.

The stock looks cheap at $63.50 per share compared to the 2022 high of $74 and provides a solid 5.8% dividend yield. Investors should see annual dividend increases continue in the 5% range.

The bottom line on top TSX dividend stocks to buy in July

Barrick Gold and BCE pay growing dividends, look undervalued right now, and could deliver attractive returns through the second half of 2022. If you have some cash to put to work, these stocks deserve to be on your radar.

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