3 Top Canadian Dividend Stocks to Buy on the Dip

Description

The market is starting to recover from the 2022 correction, but many top TSX dividend stocks still trade at discounted prices.

TD Bank

TD (TSX:TD)(NYSE:TD) trades near $87 per share at the time of writing compared to $109 earlier this year. Buying TD stock on material dips has historically proven to be a savvy move for patient investors. TD has a compound annual dividend growth rate of about 11% over the past 25 years, and double-digit increases should continue, even if the Canadian and U.S. economies go through a recession in the next 12-24 months.

TD is on track to top 2021 profits. The company generated adjusted net income of $7.6 billion in the first half of fiscal 2022 compared to $7.2 billion in the same period last year. The bank also finished the second quarter (Q2) with a common equity tier-one ratio of 14.7%. This means TD has significant excess cash to deploy.

Management is using the funds to expand in the United States. TD has agreements in place to acquire **First Horizon** for US$13.4 billion and **Cowen** for US$1.3 billion. The deals should help drive future revenue and profit growth.

Telus

Telus (TSX:T)(NYSE:TU) reported strong Q2 2022 results that show the communications provider remains largely shielded from the impacts of high inflation and rising interest rates. Adjusted net income increased 21.3% to $422 million from the same period last year.

Households and businesses need mobile and internet services regardless of the state of the economy, so Telus is a good stock to buy if you want to add a defensive pick to the portfolio.

Telus brought forward a big chunk of its capital program in the past two years. This means investments will drop considerably in 2023 and level off around $2.5 billion per year. The result should be more cash flow available for distributions to investors.

Telus tends to raise the dividend twice per year and is targeting annual distribution growth of 7-10% over the medium term.

The stock is down to $30 from the 2022 high around $34.50. At the current price, investors can get a 4.5% dividend yield.

Algonquin Power

Algonquin Power (TSX:AQN)(NYSE:AQN) raised the dividend by 6% for 2022 and increased the payout by 10% per year in the previous decade. The stock trades near $18.50 at the time of writing compared to $20 earlier in the year. Investors who buy today can get a 5% yield.

Algonquin Power is in the process of buying **Kentucky Power** in a US$2.9 billion deal that will grow the customer base by 19% and increase the regulated rate base by 32% to more than US$9 billion. This is important, because the acquisition materially shifts Algonquin Power more to the utility camp and makes it less of a renewable energy play. Once the deal closes, the stock price should drift higher, as investors change their classification of the stock.

Algonquin Power offers a generous 5% discount on stock purchased through its dividend-reinvestment plan.

The bottom line on top TSX stocks to buy for dividends

TD, Telus, and Algonquin Power all pay attractive and growing dividends. If you have some cash to put to work in a Tax-Free Savings Account or Registered Retirement Savings Plan focused on total returns, these stocks look cheap today and deserve to be on your radar.

CATEGORY

1. Dividend Stocks
2. Investing

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1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:TD (The Toronto-Dominion Bank)
3. NYSE:TU (TELUS)
4. TSX:AQN (Algonquin Power & Utilities Corp.)
5. TSX:T (TELUS)
6. TSX:TD (The Toronto-Dominion Bank)

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aswalker