



Monthly Passive Income: 2 Top TSX Dividend Stocks to Buy for a Self-Directed TFSA

Description

The market pullback gives [TFSA](#) investors a chance to buy great Canadian dividend stocks at [undervalued](#) prices. Here are two such stocks for a self-directed TFSA focused on generating monthly passive income.

Pembina Pipeline

Pembina Pipeline ([TSX:PPL](#)) ([NYSE:PBA](#)) trades for \$49 per share at the time of writing compared to its 2022 high around \$53. The stock is off the June low around \$43, but still looks oversold.

Pembina Pipeline reported solid Q2 2022 results, supported by the rebound in the oil and natural gas sectors. Earnings rose 64% to \$418 million over the same period last year. Adjusted EBITDA was up 9% hitting a Q2 record of \$849 million and management raised 2022 guidance.

Higher prices and production leading to higher margins in crude oil and NGL sales helped boost net revenue for the first half of this year 15% to \$2.2 billion over the year-ago period. Cash flow from operating activities increased 21% to \$1.26 billion. Earnings came in 64% higher at \$1.50 per share on a diluted basis, over the year-ago period.

The war in Ukraine and a lack of investment in new supply by global producers provides a positive outlook for Canadian oil and natural gas. Pembina Pipeline is a good stock to buy if you think the recovery in the energy sector will continue for several years. The company is positioned well to benefit from rising demand for Canadian energy.

Pembina Pipeline pays a monthly dividend of \$0.21 per share. That's good for an annualized yield of 5.1% at the current share price. The company plans to raise the dividend by 3.6% starting in October.

TransAlta Renewables

TransAlta Renewables ([TSX:RNW](#)) had a difficult 2021. The company lost revenue due to an unplanned outage at a gas-fired power plant in Ontario. Management then found out that the support bases on 50 wind turbines at the Kent Hills sites in New Brunswick need to be changed. This forced the company to shut down the entire Kent Hills wind farm, adding another blow to revenue.

TransAlta Renewables is having a better year in 2022, but the stock price is still trading at a discounted level. At the time of writing TransAlta Renewables trades near \$17.60 per share. That's up about 10% from the 2022 low, but still down from the 12-month high above \$20. Investors who buy the stock at the current price can pick up an annualized dividend yield of 5.3%. TransAlta Renewables pays the dividend monthly.

Free cash flow for the first half of 2022 was 14.7% higher at \$195 million year over year. The additions of the Windrise and North Carolina Solar facilities have increased contracted cash flow. Cash available for distributions rose to \$0.52 per share from \$0.49.

The addition of revenue from acquisitions and completed capital projects is driving revenue higher in 2022 despite Kent Hill being out of service until next year. Revenue-per-share growth is on a steady climb, increasing to 14.5% over the last 12 months versus a 3-year revenue-per-share growth rate of 8.6%. RNW's plans to add another 400 megawatts in clean electricity projects in 2022 should boost its contracted revenue streams.

TransAlta Renewables is a good stock to buy if you want to increase your exposure to the renewable energy sector.

The bottom line on top stocks to buy for month dividends

Pembina Pipeline and TransAlta Renewables pay monthly dividends with high yields. The stocks look undervalued today and deserve to be on your radar if you are seeking to add some monthly passive income to your TFSA.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:PBA (Pembina Pipeline Corporation)
2. TSX:PPL (Pembina Pipeline Corporation)
3. TSX:RNW (TransAlta Renewables)

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