2 Oversold TSX Dividend Stocks to Buy for Passive Income

Description

The first half of 2022 caused a lot of carnage for **TSX** dividend stocks. Several high-quality dividend stocks have pulled back in the past few months. Today, you can buy them for elevated dividend yields and attractive valuations. If you are on the hunt for some oversold large-cap TSX dividend stocks, here are two to have on your radar.

BCE

With a market capitalization over $59 billion, **BCE** (TSX:BCE)(NYSE:BCE) is the largest telecommunications stock in Canada. It provides cellular service, internet, TV, and media services to almost 22 million subscribers. For context, more than half of Canadians use some sort of BCE plan.

Since April, this TSX dividend stock has declined 11.5% from a near record high of $73.30 per share. The company has a high level of debt (a net debt leverage ratio of 3.1 times), and the stock fell on worries about rising interest rates. Likewise, the company has been accelerating its infrastructure spend on 5G spectrum and fibre optic networks. That has put some pressure on short-term earnings.

Fortunately, around 85% of BCE's debt is fixed for the long term (nearly 14 years) at a very attractive 2.8% average rate. The company has $596 million of cash and $3.1 billion of total liquidity. This should provide it with enough cash to manage its debt and meet its growth capital needs.

Right now, this TSX stock earns a very attractive 5.65% dividend. In the first quarter of 2022, it increased its dividend rate by 5.1%. It has a five-year history of growing the dividend around 5% annually. If you like a stable business with the capacity for steady long-term dividend growth, BCE is a great stock to buy and hold for the long run.

TC Energy

TC Energy (TSX:TRP)(NYSE:TRP) is one of North America's largest pipeline and energy infrastructure businesses. It operates assets that are essential to the North American economy. In fact, 25% of the natural gas utilized on the continent is transported through TC Energy's assets. With a price of $65.70 a share, it has a market capitalization of $66.5 billion today.

Since May, this TSX dividend stock has pulled back 11% from around $73.50 per share. The company pulled back due to an overall decline in energy prices. Likewise, it continues to see cost overruns on its large-scale Coastal Gas-Link pipeline project. Fortunately, the project is 70% complete, and the company believes it can still earn a strong economic return once it is commissioned in late 2023.

Natural gas is expected to be a major transition fuel for many decades to come. Likewise, demand for Canadian LNG continues to quickly grow. That should support significant opportunities for TC to grow its assets and cash flows.

Over the next five years, this blue-chip stock hopes to grow EBITDA (earnings before interest, taxes, depreciation, and amortization) steadily by a 5% compounded annual rate. That should support further dividend growth in the years to come. Regardless, TC Energy stock already pays an ample 5.5% dividend. The pullback appears like a nice time to lock in an attractive, growing dividend for several years to come.

The takeaway on large-cap dividend stocks

BCE and TC Energy pay very attractive dividends over 5%. These large-cap TSX dividend stocks offer defensive businesses that should fair reasonably well through a challenged economic environment. For a combination of passive-income growth and defence, these oversold dividend stocks look attractive today.

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