2 Canadian Dividend Stocks (With +6% Yields) You'll Regret Not Buying at These Prices

Description

Investors are worried the double whammy of interest rate hikes and inflation will result in a global recession next year, accelerating the selloff in the equity markets. Several growth stocks trading at a steep valuations have already seen their multiples nosedive in the first three quarters of 2022.

But investors should understand that it's impossible to time the markets. Instead, the ongoing volatility allows you to buy quality companies at a discount. Moreover, the dividend yields of several TSX stocks remain attractive right now.

As dividend yields are share prices are inversely related, investors can consider buying fundamentally strong dividend stocks such as **TC Energy** (TSX:TRP) and **TransAlta Renewable** (TSX:RNW) in October 2022. Let's see why.

A diversified energy company

Among the largest midstream companies in Canada, TC Energy currently offers investors a forward yield of 6.22%. Between 2000 and 2021, TRP stock has returned an average of 13% annually to investors, easily outpacing the broader markets.

Around 95% of TC Energy's EBITDA (earnings before interest, tax, depreciation, and amortization) are backed by rate-regulated assets or long-term contracts, allowing it to deliver stable cash flows across business cycles.

With an asset base of over $100 billion, TC Energy has allocated another $28 billion toward capital expenditures through 2028. Due to the expansion of its base of cash-generating assets, TC Energy should increase its dividend payouts between 3% and 5% in the medium term.

TC Energy has created massive wealth for long-term investors. An investment of $10,000 in TRP stock in October 2002 would be worth $25,600 today. After accounting for dividends, total returns will be closer to $61,700.

Investors could purchase 448 shares of TC Energy for $10,000 in October 2002 and would have generated around $450 in annual dividends in the next 12 months. Right now, 448 TRP shares will allow investors to generate $1,610 in annual dividends, increasing its yield to a healthy 16%.

A clean energy giant

The second dividend stock on my list is **TransAlta Renewables** (TSX:RNW), one of the largest clean energy companies in the world. TransAlta Renewables aims to provide stable, consistent returns to investors by investing in contracted renewable and natural gas power-generation facilities as well as in other infrastructure assets.

These investments generate stable cash flows, which are backed by long-term contracts with investment-grade counterparties.

Unlike TC Energy, TransAlta Renewables has not increased its dividends each year. But these payouts have risen by 5.6% annually since 2013.

The company is among the largest generators of wind power in Canada and one of the largest renewable power-generation companies on the TSX. Its asset platform is diversified, with operations in Canada, the United States, and Australia.

TransAlta's overseas assets are held via economic interests in these assets, which does not indicate direct ownership. It instead receives cash distributions on these investments, which are included in the consolidated net earnings.

TransAlta is forecast to increase its earnings from $0.52 per share in 2021 to $0.79 per share in 2023. So, the stock is trading at 18.7 times forward earnings, which is not too steep. RNW stock is trading at a discount of 22% to consensus price target estimates. After accounting for its dividend yield, total returns will be closer to 30% in the next year.

CATEGORY

1. Dividend Stocks
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2. TSX:RNW (TransAlta Renewables)
3. TSX:TRP (TC Energy Corporation)

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