3 Undervalued TSX Stocks You Can Buy at a Screaming Discount

Description

The market correction is giving investors a chance to buy top TSX dividend stocks at cheap prices for portfolios targeting Tax-Free Savings Account (TFSA) passive income and Registered Retirement Savings Plan (RRSP) total returns.

Bank of Nova Scotia

Bank of Nova Scotia (TSX:BNS) trades for close to $66 per share at the time of writing compared to $95 at the peak earlier in 2022. The current price-to-earnings multiple of 7.9 is low, considering the bank remains very profitable and continues to hike the dividend while buying back stock.

For the fiscal third quarter (Q3) of 2022, Bank of Nova Scotia reported net income of $2.59 billion compared to $2.54 billion in the same period last year. Adjusted net income came in at $2.10 per share compared to $2.01 in Q3 2021. Adjusted return on equity remains high at 15.4%, up from 15.1%.

International banking earnings jumped 28%, supported by higher net interest income and 12% loan growth. Investors are concerned that this division could take a big hit in the next couple of years if the global economy falls into a deep recession. For the moment, the international business continues to rebound from the pandemic decline.

Bank of Nova Scotia has a strong capital position to help it ride out any economic turmoil. The dividend should continue to grow, and investors can now get a 6.25% yield.

BCE

BCE (TSX:BCE) trades for $62 per share at the time of writing compared to $74 earlier this year. The pullback appears overdone, considering the solid results through the first three quarters of 2022 and the essential nature of BCE's core mobile and internet services.

BCE generated adjusted net earnings of $801 million in Q3 2022, up from $748 million in the same period last year. Management confirmed the full-year 2022 financial guidance, with adjusted earnings per share expected to grow as much as 7% this year and free cash flow growth of as high as 10%.

BCE's average dividend growth is about 5% per year. The current payout provides a 5.9% yield.

TC Energy

TC Energy (TSX:TRP) is working on a $34 billion capital program that is expected to drive steady revenue and cash flow growth through 2026. As a result, management is targeting average annual dividend increases of 3-5% over that timeframe. This is good guidance in an era of economic uncertainty.

TC Energy primarily operates natural gas transmission and storage assets in Canada, the United States, and Mexico. Natural gas demand, both domestic and international, is expected to rise in the coming years, as utilities switch from coal and oil to the fuel to produce power. New gas-fired power plants are being built to ensure enough electricity is available during demand surges when renewables are unable to provide the needed power.

TC Energy stock trades near $62.50 at the time of writing compared to $74 in June. Investors who buy at the current level can get a 5.75% dividend yield.

The bottom line on good dividend stocks to buy now

Bank of Nova Scotia, BCE, and TC Energy all pay attractive dividends that should continue to grow. If you have some cash to put to work in an TFSA or RRSP, these stocks look undervalued today and deserve to be on your radar.

CATEGORY

1. Dividend Stocks
2. Investing

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2. TSX:BNS (Bank Of Nova Scotia)
3. TSX:TRP (TC Energy Corporation)

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