2 Dividend-Growth Stocks for Conservative Investors

Description

We all want consistent returns from our income stocks, but not everyone can stomach the risk that comes with some of the more popular names.

Here's why I think **Fortis Inc.** (TSX:FTS) and **Metro Inc.** (TSX:MRU) are solid picks that won't keep you up all night.

Fortis

The power generation business sounds pretty boring, but that's exactly why Fortis is a great pick for conservative investors. The company is not just the largest investor-owned distribution utility in Canada; it also owns assets the United States and the Caribbean.

Fortis churns out consistent and reliable cash flow every year and has a fantastic track record of dividend growth.

Now, the future looks even brighter. Last year, Fortis spent $4.5 billion to acquire Arizona-based UNS Energy. The deal will add significant cash flow in 2015 and investors should see strong revenue and dividend growth as UNS gets integrated into the company.

Fortis also has a large hydroelectric expansion coming to completion in B.C., which should add more than $20 million to earnings in 2015.

Regulated utilities represent 93% of the company's assets, which means the company has predictable revenue streams coming from most of its operations.

Fortis pays a dividend of $1.36 per share that yields about 3.5%. Shareholders have also enjoyed a 40% gain in the stock price in the past five years.

Metro

If you live in Ontario or Quebec, you have probably spent some money at one of Metro's retail locations. The company operates 800 grocery stores and 250 drug stores located in the two provinces.

Many investors think the food industry should be avoided because competition is just too heavy for businesses to consistently make money. That is absolutely not the case, especially with Metro. The company runs a very efficient operation and continues to grow earnings at an impressive rate.

In Q1 2015 Metro reported net earnings of $1.30 per share, a 23% increase over the same period in 2014.

For conservative investors, the business is attractive because it is pretty much recession-proof. People have to eat, and drug stores are always going to be busy.

The stock also offers a nice combination of dividend growth and capital appreciation. In fact, Metro hiked its quarterly dividend by 20% last summer to $0.30 per share and just increased it again to $0.35. The stock recently completed a 3-for-1 split and has surged nearly 170% in the past five years. The shares certainly aren't cheap right now, but the growth rate is strong enough that investors should see more gains in both the shares and the dividend payout.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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