3 of the Best Dividend-Growth Firms to Hold for Decades

Description

Long-term Foolish investors want to buy quality companies that will still be doing well 10 years from now. You also want to buy these companies when they're on sale.

Well, you are in luck because there are three such companies that are priced at a discount today according to my research. All of them pay a growing dividend while you sit back and wait for them to steadily appreciate.

Both **Enbridge Inc.** (TSX:ENB)(NYSE:ENB) and **Canadian Western Bank** (TSX:CWB) are indirectly affected by the low oil price environment, and in my opinion, are wrongly depressing their prices. However, it's a good thing for long-term investors to buy shares of these quality companies on the cheap.

The pipeline leader

Enbridge is the leader in transporting and storing energy. With an S&P credit rating of BBB+, Enbridge's shares are investment grade. Add in its 19-year streak of dividend increases and we have a winner.

In fact, Enbridge hiked its dividends on an annualized rate of 11-14% in the past decade. On top of that, it has paid out dividends for over six decades!

Going forward, the company anticipates dividends to grow at an annualized rate of 14-16% per year from 2016 to 2018, and this growth is supported by earnings growth and a sustainable payout ratio.

At about $55, Enbridge has retreated 15% from its 52-week high, and provides an attractive 3.4% yield for its quality shares. This pullback is unwarranted because Enbridge's profitability has little to do with oil prices, but is related to how much energy it's transporting every day.

The bank in the west

Canadian Western Bank has declined more than 43% from its 52-week high. It's now priced under $24 per share with an attractive 3.7% yield. The share price displayed a horrible performance because 42% of its loans are in Alberta.

Fear has taken hold of its share price, while in reality the bank still posted earnings growth of 4% in the first half of 2015. It is now priced at a record low valuation with a price-to-earnings ratio of about eight and a price-to-book ratio the same as it was in 2008.

For 23 years in a row, Canadian Western has increased its dividend, and just increased it again in June this year. It equated to an annualized growth of 10% with a sustainable payout ratio below 30%.

The green utility

Brookfield Renewable Energy Partners L.P. (TSX:BEP.UN)(NYSE:BEP) is a rising dividend-growth star. It has a five-year streak of growing dividends, and the company expects to continue growing it in a 5-9% rate per year in the foreseeable future.

Its predictable dividends are supported by stable contracted cash flows that are generated by its renewable energy assets, including hydropower and wind power generation. Its assets are diversified geographically in the United States, Canada, Brazil, and Europe.

To avoid tax-reporting headaches, hold Brookfield Renewable shares in a TFSA or RRSP because its dividends are not entirely Canadian-eligible dividends. Further, it pays out dividends in U.S. dollars, so it's especially beneficial to Canadian investors because the U.S. dollar is strong now.

In conclusion

I sound bullish on these three quality businesses. Indeed, I believe they will perform in the long term, but in the short term, Foolish investors will need to endure the volatility, especially for Enbridge and Canadian Western Bank, which have declined in price due to the low oil price. On the other hand, Brookfield Renewable has accumulated rare assets across the globe, and generates stable dividends from them.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. NYSE:ENB (Enbridge Inc.)
3. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
4. TSX:CWB (Canadian Western Bank)
5. TSX:ENB (Enbridge Inc.)

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