Attention Income Investors: 2 Dividend-Growth Stocks That Won't Let You Down

Description

Dividends are being slashed right, left, and centre these days, and that is bad news for investors who rely on distributions to supplement their pension payments.

Many of the former dividend champs are now relegated to the status of chumps, and income investors are having a tough time finding stocks that will provide a decent return while protecting the initial investment.

Fortunately, there are still a few names out there that income investors can rely on.

Here are the reasons I think **Thomson Reuters Corp.** (TSX:TRI)(NYSE:TRI) and **Emera Inc.** (TSX:EMA) are smart picks right now.

Thomson Reuters

Thomson Reuters is the globe's leading source of intelligent information for businesses and professionals.

The company has a balanced revenue stream with cash flow coming from four core areas of expertise. The financial and risk segment is the largest group and accounts for 52% of revenue. The legal division contributes 27%, while tax and accounting adds 11%. The unit serving intellectual property and science and media markets kicks in 8%.

The news group fills in the remaining 2% of revenues.

Canadians are learning the hard way that it isn't a good idea to rely on one market for earnings. Thomson Reuters offers geographic diversification because 60% of its revenue comes from the Americas, 30% originates in the EMEA region, and Asia contributes 10%.

Dividend stability is important for income investors and that requires predictable cash flow. Thomson Reuters gets 87% of its revenue from recurring, subscription-based sources, which is a much better model to bet on than one reliant on commodity prices.

The company pays a dividend of US$1.34 per share that yields 3.3%, and recently announced a US$1 billion share-repurchase program.

Emera Inc.

Emera is an electricity generation and natural gas distribution business with $10 billion in assets located in Canada, the U.S., and the Caribbean.

Utilities might be boring, but income investors are not looking for entertainment; they simply want reliable dividends. Emera delivers this because 75-85% of its earnings comes from rate-regulated assets.

Emera recently reported Q2 adjusted net income of $48 million, an 8.6% improvement over the same period last year.

The management team is doing an excellent job of controlling costs while making the investments needed to grow revenue. Things are going so well that the company just increased the dividend by 19% and plans to hike the payout by 8% per year through 2019.

That’s the kind of reassurance pensioners need when they are trying to balance the budget.

Emera pays a distribution of $1.90 per share that yields 4.3%. This is one of those companies you can simply buy and forget about for the next 20 years.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NASDAQ:TRI (Thomson Reuters)
2. TSX:EMA (Emera Incorporated)
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