Attention Savers: 2 Top Dividend-Growth Stocks for the Next 20 Years

Description

The stock market pullback is giving investors an opportunity to buy top quality dividend-growth stocks at very reasonable prices.

Here are the reasons why I think **TransCanada Corporation** (TSX:TRP)(NYSE:TRP) and **Potash Corp./Saskatchewan Inc.** (TSX:POT)(NYSE:POT) are strong picks right now.

TransCanada's stock has dropped 25% in the past 12 months. Part of the pullback is due to the rout in oil markets, and the other half of the story is the ongoing delays for the company's major pipeline projects. This is presenting new investors with a great opportunity to start a position in one of Canada's top dividend stocks.

TransCanada has $46 billion in new projects either planned or under construction. A significant part of the portfolio involves the US$8 billion Keystone XL project and the $12 billion Energy East proposal.

Keystone is unlikely to be approved by President Obama, so TransCanada and its customers will have to wait for the next U.S. administration to come in before it can get the green light. There's no guarantee the project will ever go ahead, but investors shouldn't write it off completely.

The Energy East project is also being held up by political wrangling, and that could last longer than expected if the provinces and the next federal government decide they don't want to play nice.

The major projects are moving slowly, but TransCanada is making good progress on the rest of the portfolio. In fact, the company expects to have $12 billion in in new assets in service by 2018.

That's great news for investors because the company tends to boost the dividend in step with the increase in free cash flow it gets when new pipelines come online. TransCanada says it will raise the dividend by 8-10% per year through 2017, and the trend should continue as more projects get approved and built.

In the end, I think at least one of the major projects will be built and the market isn't pricing that in right now.

TransCanada pays a dividend of $2.08 per share that yields 4.9%.

Potash Corp.

Shares of Potash Corp. are down about 20% since the beginning of the year. The drop has been caused by a tax change in Saskatchewan and weakness in wholesale crop nutrient prices.

Investors should look beyond the short-term speed bumps when evaluating Potash Corp.

The company produces the fertilizers farmers need to keep the planet fed. As the world's population increases, farmers are going to have to get better yield out of their land, and the best way to do that is to use more crop nutrients like potash, nitrogen, and phosphate.

Global potash shipments hit a record 61 million tonnes in 2014 and demand this year is expected to track that level. At the moment, the potash industry is mired in a price war because large players are jockeying for market share. This situation is unlikely to last for an extended period of time, and prices should improve over the next couple of years.

In the meantime, investor should load up on Potash Corp. shares. The company is completing a large expansion at its sites, and that means a windfall of free cash flow should be on the way once these projects shift from development to production.

Despite the low cycle in the market, Potash Corp. is still making good money. The company had operating cash flow of US$836 million in the second quarter and free cash flow if US$532 million. Dividends used up US$312 million, so the payout is adequately covered.

Potash Corp. pays a quarterly distribution of US$0.38 per share that yields 6%. The payout has increased significantly in recent years and growth should continue as free cash flow improves. At just 12.4 times forward earnings, the stock looks very attractive right now, and long-term investors should be comfortable buying at the current level.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:TRP (Tc Energy)
2. TSX:TRP (TC Energy Corporation)

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Author
aswalker