



Like Worry-Free Dividends? Then Load Up on These 3 Passive-Income Machines

Description

I think we'd all love a stream of disposable income. I know I sure would.

Think about how powerful it would be to just have an extra \$200 per month. That would be enough to take care of at least one utility bill, maybe even more. It would be enough to pay for the insurance on your home or your car. And perhaps most importantly of all, it would free up additional cash that could be reinvested, increasing the compounding effect.

There's nothing more magical than turning money into more money. Steps you take today could have a major impact on your retirement, even if that time is decades away.

Here are three of Canada's best dividend stocks—companies you can count on to pay through thick and thin.

National Bank of Canada

National Bank of Canada ([TSX:NA](#)) is the Rodney Dangerfield of the Canadian banking system. Most investor attention get focused on the Big Five. National Bank gets no respect.

That's a shame, because it has a number of things going for it. It has one of the lowest price-to-earnings ratios of all of its peers; the stock is trading at just a little over 10 times expected 2017 earnings.

The company also has greater growth potential than its larger cousins. It could further expand inside Canada—either by organic growth or via acquisition—but management seems to be more focused on international opportunities. It has a few holdings in markets such as Cambodia and Mongolia, but the company really needs to make a splash for investors to take notice. I believe this will happen in the next few years.

National Bank pays an attractive 4% dividend—one of the highest in the sector today. And with a payout ratio of approximately 50% of earnings, investors can sleep well at night knowing they'll get paid.

Altagas

Maybe it's the -30 temperatures talking, but there's a lot to appreciate about the natural gas distribution business. **Altagas Ltd.** ([TSX:ALA](#)) is the best way to invest in the business in Canada.

Altagas is separated into three distinct divisions. The first supplies natural gas to nearly 600,000 customers in Alberta, British Columbia, Nova Scotia, Alaska, and Michigan. The second owns and operates a number of power plants. And lastly, it also owns a number of natural gas pipelines.

Growth has been fantastic. In 2010, the company generated approximately \$250 million in EBITDA. It's on pace to do about \$750 million in EBITDA in 2016. And the company is in the middle of an expansion project that will see it spend up to \$3 billion on new infrastructure between now and 2019. These new projects should generate between \$250 and \$300 million per year in additional EBITDA.

Perhaps the best part about investing in Altagas is the dividend. Shares currently pay 6.1%—a dividend well covered by cash flow.

High Liner Foods

Most food companies enjoy high valuations today because investors are willing to pay a premium for what they view as stability. Yet **High Liner Foods Inc.** ([TSX:HLF](#)) trades at a very reasonable 14 times trailing earnings. What's going on?

High Liner dominates the frozen fish market in North America with a market share of more than 60%. Customers are slowly moving away from battered products towards healthier stuff—a trend that will only get bigger.

The company has mostly been a growth-by-acquisition story over the last few years. Not only does it have potential to make more acquisitions in North America, but management could also turn their attention to Europe or Asia.

In the meantime, investors are getting a company that trades at a very reasonable valuation and is downright cheap when you look at the price-to-free cash flow multiple. And you get a 2.8% dividend to wait—a payout that's easily covered by earnings and has nearly tripled in the last five years.

The bottom line

A big reason why investors go for dividend-growth stocks is because they can sleep well at night knowing payouts are secure. It doesn't get much better than National Bank, Altagas, and High Liner Foods—three of the TSX's best passive-income machines. Oh, and each have plenty of capital appreciation potential too.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:ALA (AltaGas Ltd.)
2. TSX:HLF (High Liner Foods Incorporated)
3. TSX:NA (National Bank of Canada)

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