# 2 Dividend-Growth Stocks Whose Dividends Could Double

## Description

In Canada, energy infrastructure companies and banks are the safest bets for investors seeking a predictable growth in their dividend income.

It is easy to predict the income growth potential of energy infrastructure companies because the most of their revenue comes from long-term, fee-based contracts. This revenue model also makes it easy for them to predict future growth in their payouts once they start building new projects.

In the Canadian market, top banks also have easy-to-predict income growth. They operate in an oligopoly where the top six banks dominate the financial services market. Since they operate in one of the best regulatory frameworks and have little competition, it is much easier for them to forecast growth in their dividends.

**Enbridge Inc.** (TSX:ENB)(NYSE:ENB) and **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) are my top picks for income investors who are looking to double their dividend income in a few years.



**Enbridge**

Enbridge is a top dividend-growth stock in Canada. The power and gas utility generates hefty cash by serving millions of customers in Canada and the U.S. It also runs the largest oil and gas pipeline network in North America, through which it transports energy products for A-rated oil and gas companies.

Offering a 4.9% annual dividend yield based on its today's price, Enbridge has over 20 years of history of increasing dividends.

Enbridge has paid dividends for over 64 years to its shareholders. Through two dividend increases in 2017, the company's annual dividend payout has increased by 15% to $2.413 a share when compared to the last year. Over the past 20 years, the dividend has grown at an average compound annual growth rate of 11.2%.

The company plans to continue with this practice, targeting 10-12% annualized growth in dividends through 2024. That means investors can expect their current yearly dividend to double by 2024 if the company is able to make good on its forecast.

I think this target is quite achievable given Enbridge's conservative payout ratio. It spends about half of its free cash flows in dividends, while investing the other half in future growth.

Since its acquisition of Spectra Energy this year, Enbridge now has $31 billion secured projects in execution and another $48 billion of projects under development.

**Bank of Nova Scotia**

Each year, Bank of Nova Scotia distributes between 40% and 50% of its income among shareholders in dividends. I think you can count on this bank a for a regular income stream for many years to come.

It has increased its payouts in 43 of the last 45 years — one of the most consistent records for dividend growth among major Canadian corporations.

One of the main reasons of this remarkable growth in the dividend is that Bank of Nova Scotia has very diversified operations. Over the past decade, the bank has expanded its global presence, targeting the Pacific Alliance, a Latin American trade bloc comprising Mexico, Peru, Chile, and Colombia.

Each of these countries has attractive economic fundamentals and a strong banking and regulatory system. The bloc's young and educated middle class is increasingly looking for financial services for which Bank of Nova Scotia is well positioned to provide.

With a dividend yield of 3.9%, the bank pays quarterly dividend of $0.79 a share, which has grown 27% since the first quarter of 2014. With a payout ratio of 42%, the bank is in a comfortable position to continue rewarding its investors with higher dividends.

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